S
336.20131786
E4GTT
1995

A GUIDE TO TAXES
ADMINISTERED BY THE
MONTANA DEPARTMENT OF REVENUE

January 1, 1995

MONTANA STATE LIBRARY
3 0864 1002 4529 2

MONTANA DEPARTMENT OF REVENUE

DIRECTOR'S OFFICE

Mick Robinson, Director
Judy Paynter, Principal Tax Administrator

INDIVIDUAL INCOME AND MISCELLANEOUS TAX DIVISION

Jeff Miller, Administrator
Bob Turner, Income Tax Bureau Chief
Char Maharg, Business Tax Bureau Chief

NATURAL RESOURCE AND CORPORATION TAX DIVISION

Don Hoffman, Natural Resources Bureau Chief
Lynn Chenoweth, Corporation License Tax Bureau Chief

PROPERTY ASSESSMENT DIVISION

Mary Whittinghill, Administrator
Appraisal/Assessment Bureau Chief, Randy Wilke
Centralized Assessment Bureau Chief, Gene Walborn
Management Services Bureau Chief, Russ Hyatt

INDEX

Montana

Department of

Revenue

Agency Overview

January, 1995

Department of Revenue
Mission Statement and General Description

The Department of revenue's mission is to insure full and fair compliance with all state tax laws; to assist taxpayers in fulfilling their obligations to the state; to maximize the raising and uses of taxpayer funds by maintaining an efficient and timely mechanism for the collection and deposit of revenues; and to implement all department responsibilities with professionalism, integrity, and efficiency.

The principal responsibility of the Department is to collect and enforce approximately 31 state taxes and fees. The Department is also responsible for regulating the sale and distribution of alcoholic beverages. The Department is organized into six programs (see attached organizational chart):

Director's Office

provides overall direction to the five operating divisions within the agency;

Operations Division

provides centralized management and administrative services to all other divisions of the Department including: accounting, mail cashiering, systems development, data entry, computer operations, and microcomputer support.

Liquor Enterprise Division

regulates the sale and distribution of alcoholic beverages in the state;

Income and Miscellaneous Tax Division

administers and enforces the state personal income tax laws along with 14 other miscellaneous taxes;

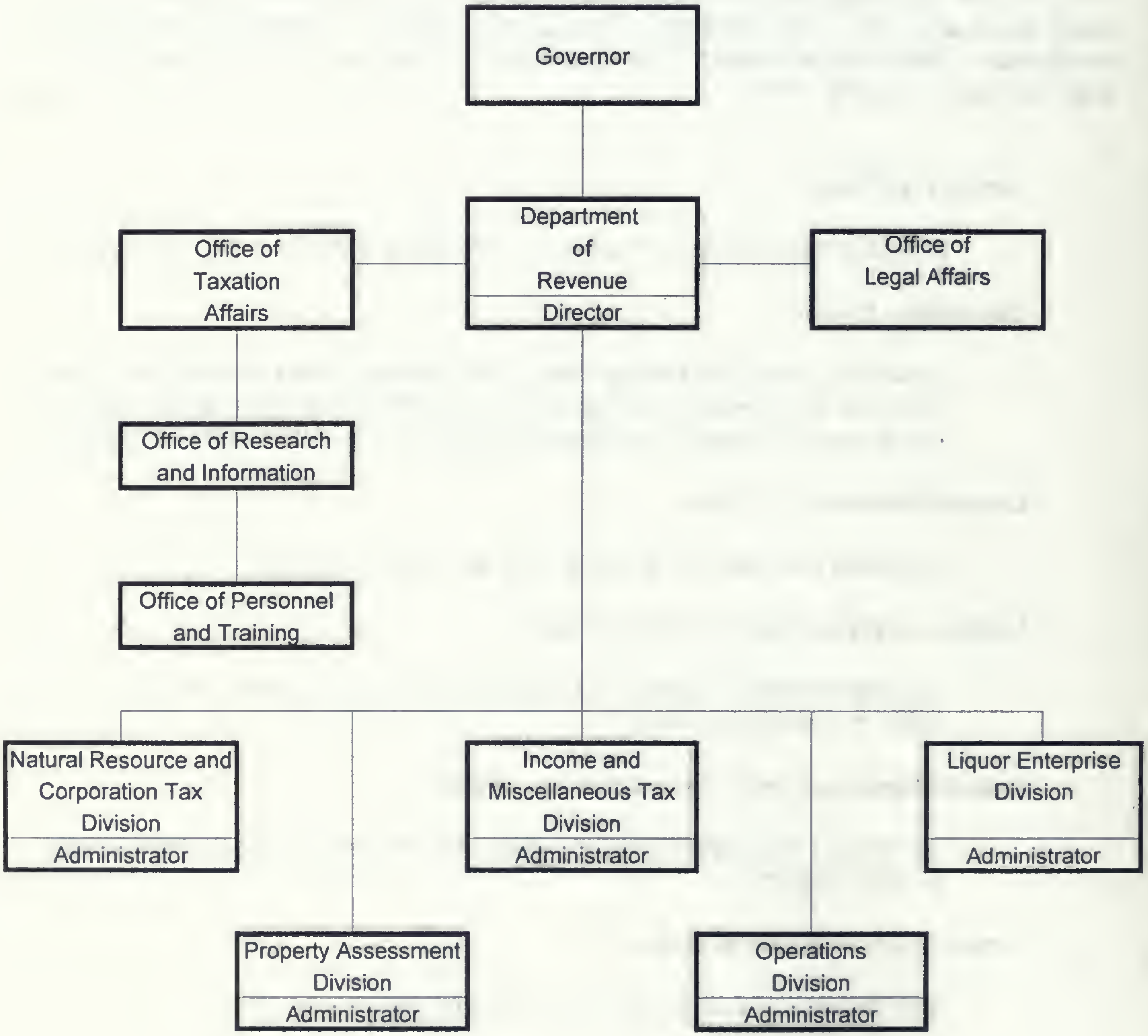
Natural Resource and Corporation Tax Division

administers 17 different taxes in addition to administering the Federal Royalty Audit Programs;

Property Assessment Division

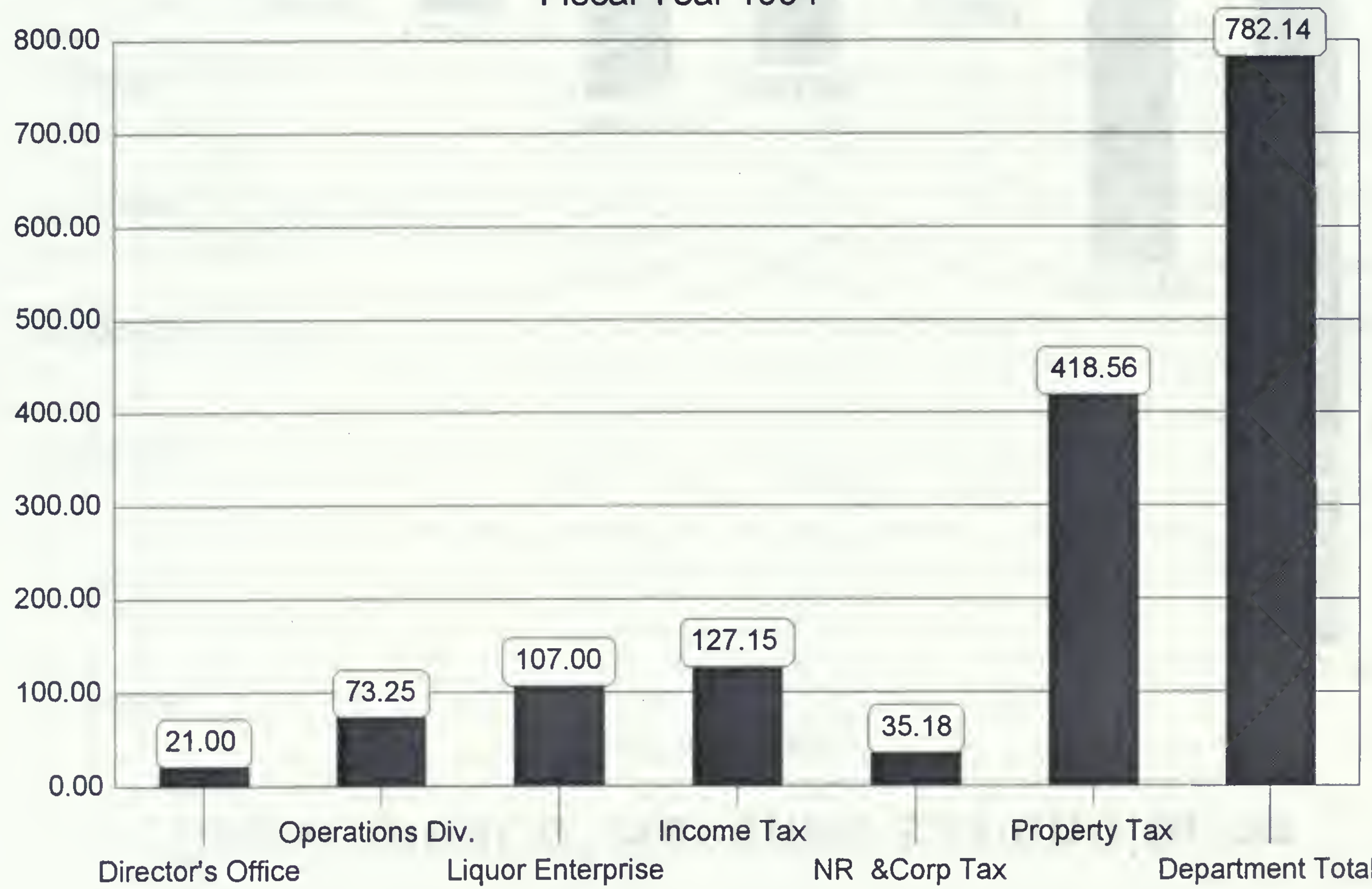
administers the appraisal of all taxable property in the state.

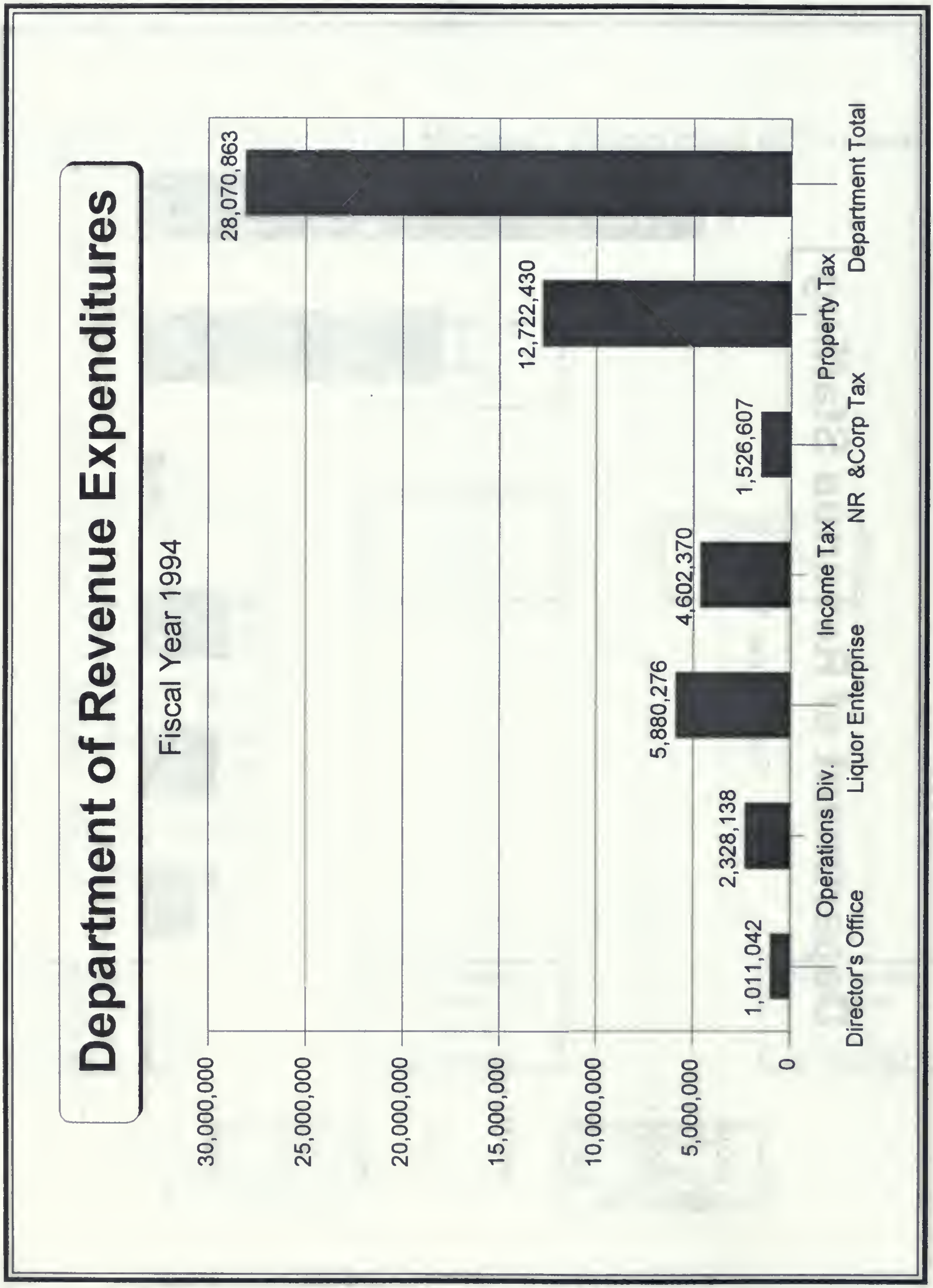
Organizational Chart of the Montana Department of Revenue



Department of Revenue Staffing

Fiscal Year 1994




Department of Revenue Expenditures
Fiscal Year 1994
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
1,011,042
Director's Office
2,328,138
Operations Div.
5,880,276
Liquor Enterprise
4,602,370
Income Tax
1,526,607
NR &Corp Tax
12,722,430
Property Tax
28,070,863
Department Total

DEPARTMENT OF REVENUE COLLECTIONS -- 1990-1994 (FISCAL YEARS)*

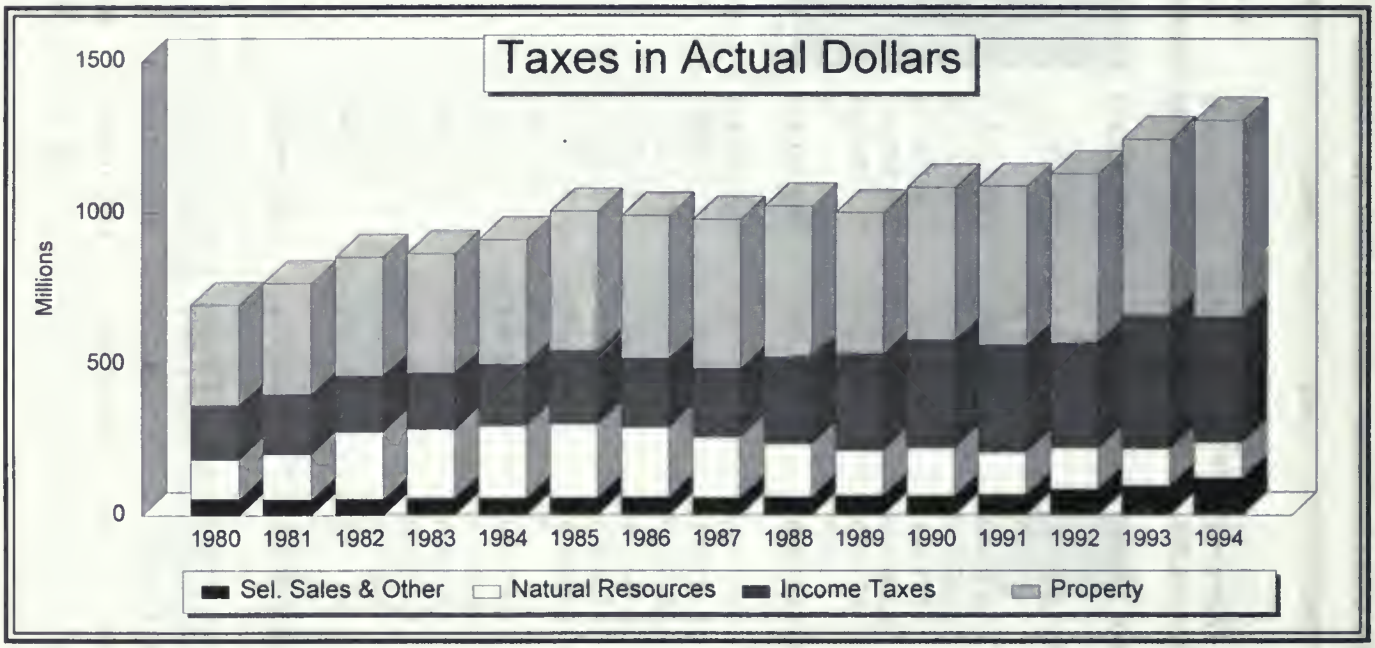
	1990	1991	1992	1993	1994
Individual Income Tax					
Income Tax Withheld	$199,220,232	$216,183,975	$266,894,688	$247,858,044	$265,035,584
Income Tax All Other	80,422,761	66,776,110	54,643,406	109,128,890	80,607,819
Subtotal	**$279,642,993**	**$282,960,085**	**$321,538,094**	**$356,986,934**	**$345,643,403**
Corporation Tax					
Corporation License Tax	**$80,315,564**	**$74,319,910**	**$57,682,673**	**$85,054,482**	**$68,871,909**
Natural Resource Taxes (State)					
Coal Severance Tax	$67,870,544	$50,457,839	$54,114,111	$35,481,334	$41,187,973
Coal StabilizationTax (Temporary)	0	0	0	2,699,964	12,732
Oil Severance Tax	14,510,149	18,885,901	20,427,115	17,037,621	11,125,518
Natural Gas Severance Tax	1,057,277	1,277,368	1,395,778	1,638,965	1,163,071
Resource Indemnity Trust Tax	5,071,681	3,573,502	4,194,434	3,786,619	2,902,242
Metalliferous Mines License Tax	6,306,356	7,739,030	6,595,467	6,521,076	6,229,683
Oil And Gas Producers' Privilege And License Tax	877,824	978,223	994,384	889,909	578,997
Micaceous Mineral Mines License Tax	4,067	2,456	0	0	0
Subtotal	**$95,697,898**	**$82,914,319**	**$87,721,289**	**$68,055,488**	**$63,200,216**
Other Taxes, Licenses and Services					
Old Fund Liability Tax (Work. Comp.)	$0	$0	$14,067,435	$15,436,795	$41,771,588
Cigarette Tax	11,567,081	11,733,190	12,172,863	12,698,194	12,495,504
Inheritance Tax (Net)	9,049,129	9,339,854	11,338,204	12,869,460	10,885,745
Accommodations Tax	5,488,764	6,237,422	8,762,356	8,029,960	8,348,996
Telephone License Tax	3,760,038	3,899,657	4,983,796	3,865,712	6,835,201
Electrical Energy Producers' License Tax	4,100,543	3,906,194	4,937,510	4,232,200	3,728,365
Nursing Facility Bed Tax	0	0	1,587,432	3,131,331	4,739,833
Public Service Regulation Tax	1,571,594	1,206,887	1,934,214	3,000,673	2,455,541
Tobacco Products Tax	893,111	1,006,909	1,224,587	1,308,951	1,328,908
Emergency Telephone 911 System Fee	1,085,524	1,113,474	1,383,505	1,254,285	1,249,373
Contractor's Gross Receipts Tax (Net)	1,118,458	1,300,905	1,270,364	1,530,528	964,193
Abandoned Property	960,324	905,395	974,013	1,286,062	1,094,511
Consumer Counsel Tax	693,334	751,571	842,961	677,495	353,252
Other	193,051	185,516	207,212	252,951	140,188
Subtotal	**$40,480,951**	**$41,586,974**	**$65,686,452**	**$69,574,597**	**$96,391,198**
Liquor Taxes, Profits and Licenses					
Liquor Profits and Licenses	9,229,431	8,984,081	9,442,258	9,620,369	9,115,412
Liquor, Beer, and Wine Taxes	9,891,131	10,207,148	11,032,923	11,447,341	10,925,118
Subtotal	**$19,120,562**	**$19,191,229**	**$20,475,181**	**$21,067,710**	**$20,040,530**
TOTAL COLLECTIONS	**$515,257,968**	**$500,972,517**	**$553,103,689**	**$600,739,211**	**$594,147,256**

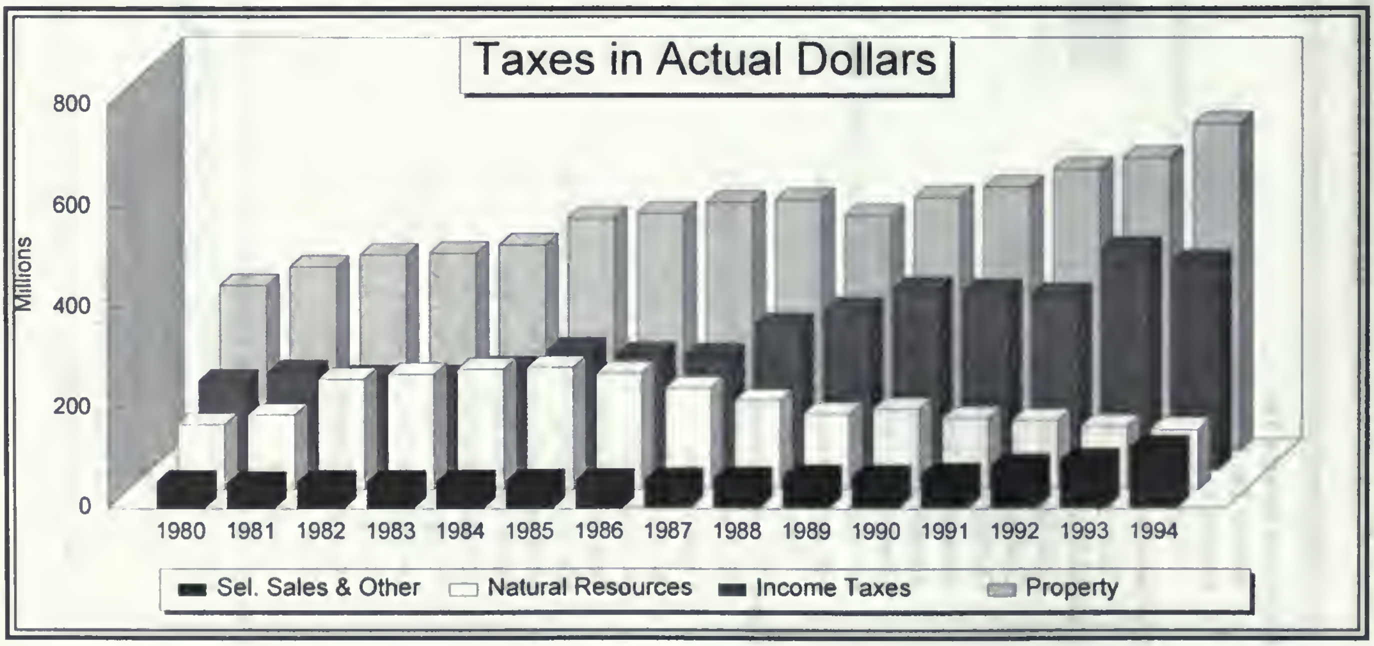
* *Source SBAS Report 635.*

THE MONTANA TAX STRUCTURE

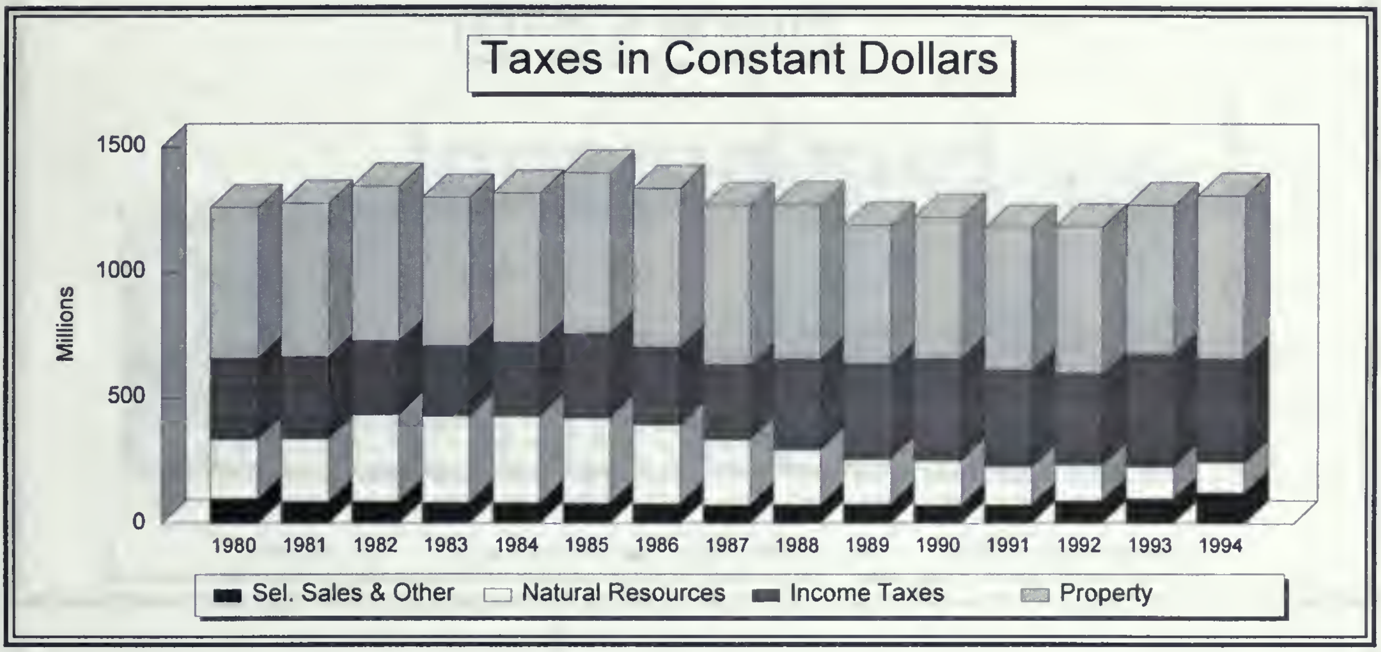
The six charts included on this page and the following two pages provide a pictorial overview of Montana's general tax structure, and show how that structure has changed over time. For most states, the tax structure is typically characterized as a "three-legged stool" consisting of income, property, and sales taxes. In Montana, the sales tax leg of this typical tax structure is comprised of natural resource taxes (e.g., coal, oil, and natural gas severance taxes) and selective sales taxes (e.g., cigarette and alcoholic beverage taxes). Income taxes include taxes levied on corporations as well as individuals; property taxes include state and local property tax levies.

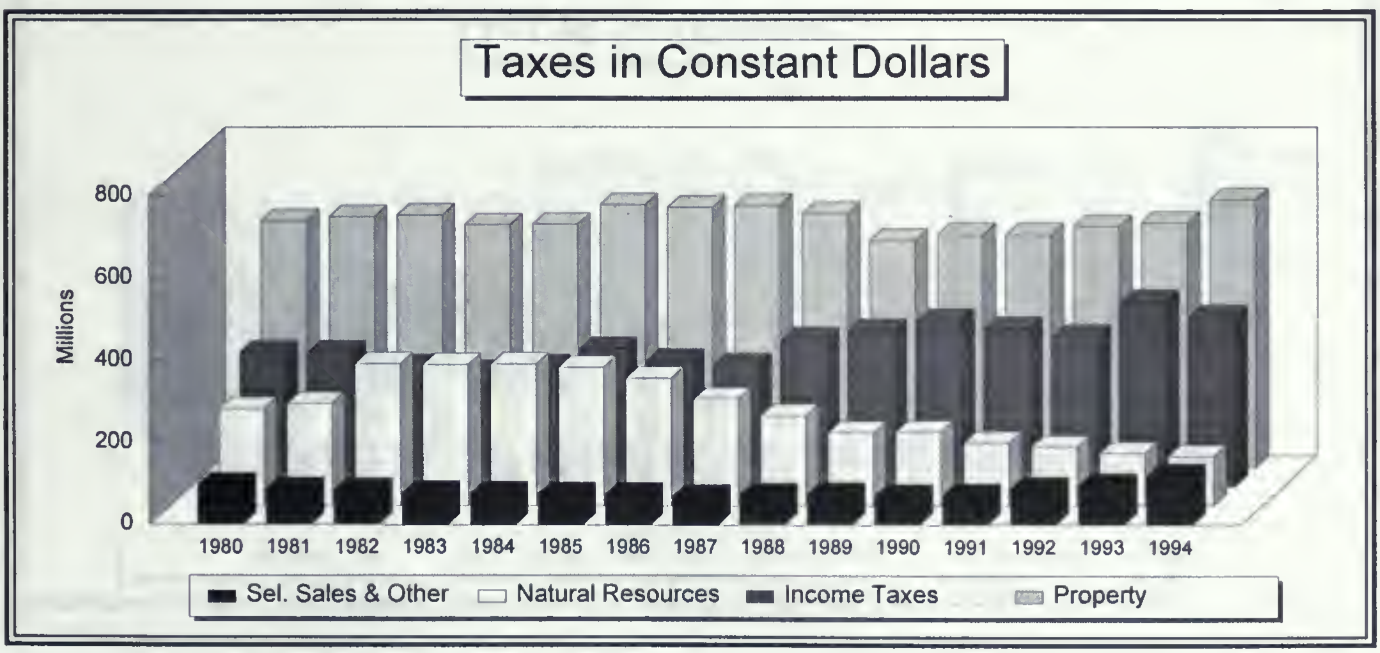
The first two charts show the change in taxes over time *in actual dollars*. These are dollars unadjusted for any effects due to inflation. The first of these two charts shows the growth in total taxes; the second chart shows how each component of this total has changed over time.



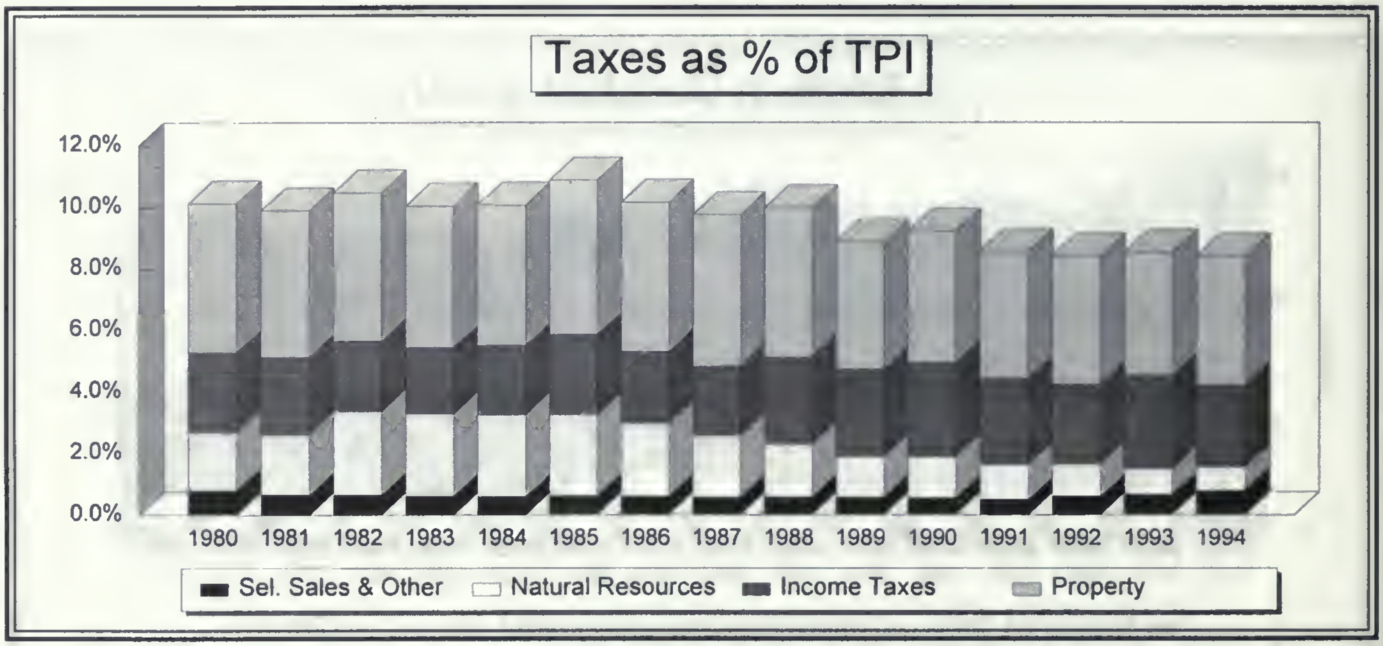


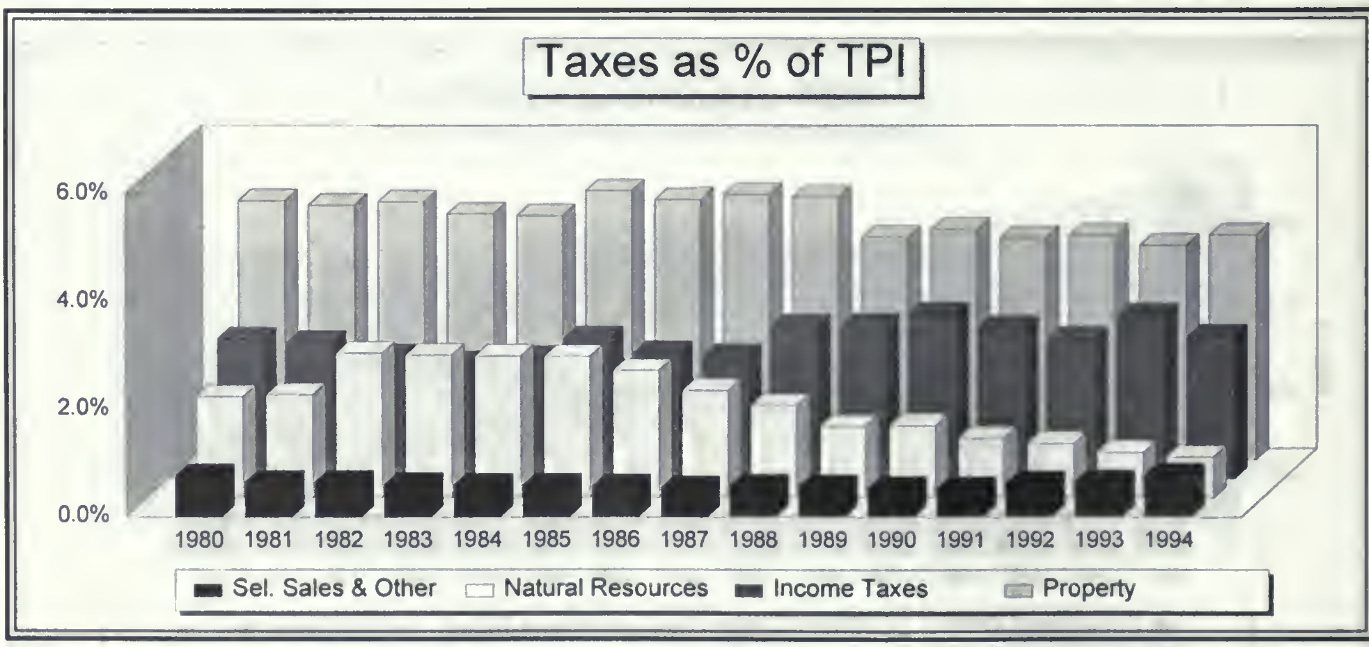
The next two charts show the change in taxes over time *in constant 1994 dollars*. These dollars, often referred to as "real" dollars, have been adjusted to remove the effects of inflation. Again, two charts are provided; the first to show the change in total real taxes, the second to show the change in each component of the tax structure.





The third set of charts shows actual taxes as a percent of Montana total personal income (TPI). These charts can be viewed as a general reflection of the share of total economic activity consumed by taxes in each year. In the past 15 years total taxes as a percent of personal income have been as high as 10.87% in 1985, and as low as 8.39% in 1994.





Individual

Income and

Miscellaneous Taxes

II. INCOME TAX

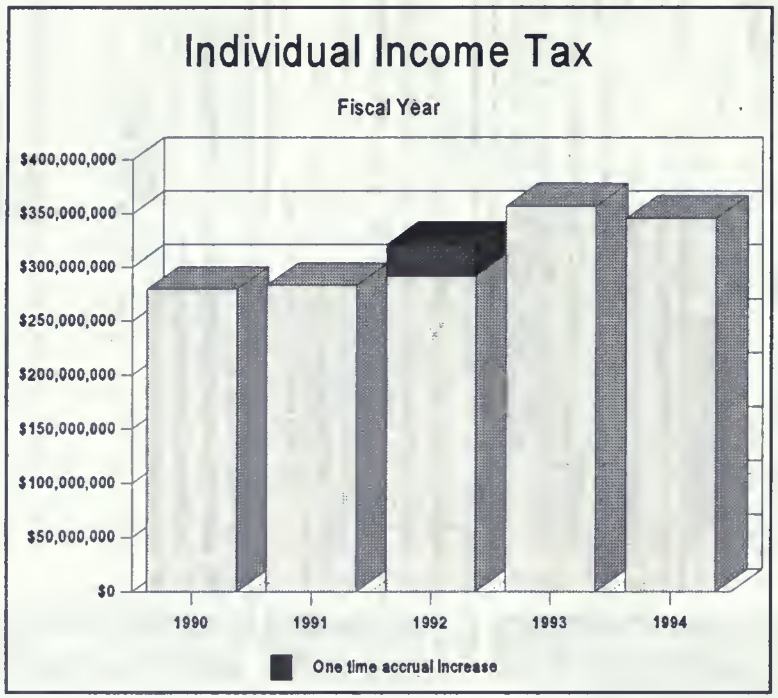
The income tax is Montana's largest source of state tax revenue. It is collected at rates ranging from 2% to 11% of taxable income. Revenue from the income tax was distributed 59.5% to the state general fund, 31.8% to the school foundation program, and 8.7% to the debt service account for long-range building in FY 94. For FY 95 it is distributed 91.3% to the general fund and 8.7% to the long-range building fund.

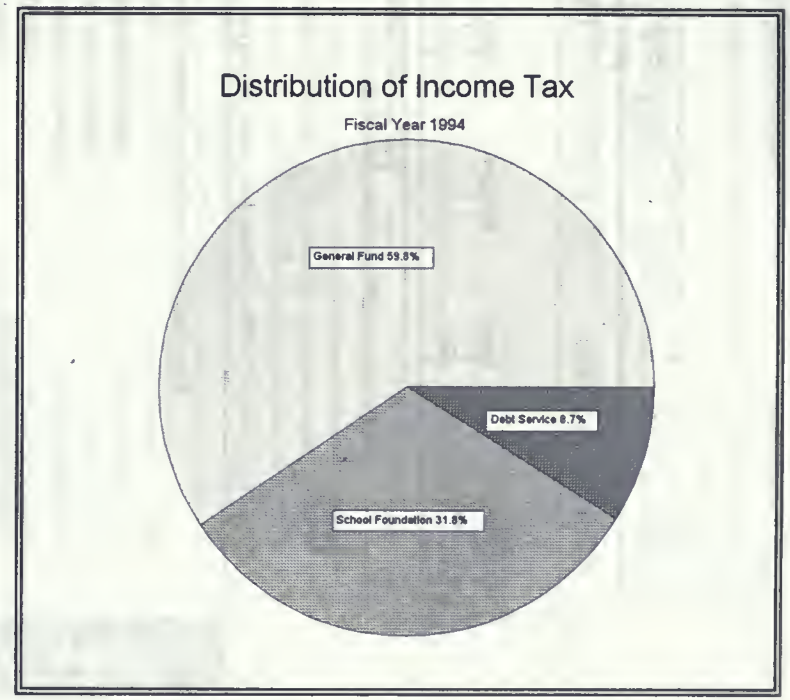
Employers who withhold wages for federal tax purposes generally must withhold for Montana income tax. In tax year 1993, wages were withheld on 323,175 returns.

Income Tax Collections

FY 90	FY 91	FY 92*	FY 93	FY 94
$ 279,642,993	$ 282,960,085	$ 321,538,094	$ 356,986,934	$ 345,643,403

** FY 92 total includes $29,814,537 in accruals.*





1993 - Montana Individual Income Tax Return - FORM 2

OR FISCAL year beginning ____________, 1993 and ending ____________, 19____

LAST NAME	First Name & Initial	Your Social Security No.
Spouse's Last Name If Different	Spouse's First Name & Initial	Spouse's Social Security No

MAILING ADDRESS — City — State — Zip Code + 4

Filing Status Check One: 1 ☐ Single | 2 ☐ Married filing joint return | 3 ☐ Married and both filing separate returns on this form | 4 ☐ Married and both filing separate returns on separate forms | 5 ☐ Married filing separate return and spouse is not filing | 6 ☐ Head of Household (see instructions)

Residency Check One: 1 ☐ Resident Full Year | 2 ☐ Nonresident Full Year | 3 ☐ Resident Part Year | Give date of change: month ___ year ___ | State moved to: | State moved from:

DO NOT USE THIS SPACE

COLUMN A (For single, joint, separate, or head of household) — COLUMN B (For spouse only when filing separate, and box 3 is checked)

EXEMPTIONS — Regular — 65 or Over — Blind

1. Yourself ☐ ☐ ☐ Enter number checked ☐ 1
2. Spouse ☐ ☐ ☐ Enter number checked ☐ 2 ☐ 2
3. Dependents

NEW

Name Do Not Claim Yourself or Spouse	check if under age 1	If age one or over, dependents social security number	Relationship

4. Handicapped ☐ 3 ☐ 4 — ☐ 3 ☐ 4

5. Add lines 1, 2, 3 and 4 (if additional dependents, see instructions) **Total Number Exemptions** ☐ 5 ☐ 5

ATTACH PAYMENT HERE

INCOME REPORTED FROM FEDERAL RETURN

Enter amounts reported on Federal return — *ROUND TO NEAREST DOLLAR* If no entry leave blank

6. Wages, salaries, tips, etc. .... **(Attach W-2's)** 6.
7. Taxable interest income .... **(Attach Federal Schedule if over $400)** 7.
8. Dividend income .... **(Attach Federal Schedule if over $400)** 8.
9. Net business income .... **(Attach Federal Schedule C or C-EZ)** 9.
10. Capital gain or (loss) .... **(Attach Federal Schedule D)** 10.
11. Supplemental gains or (losses) .... **(Attach Federal Form 4797)** 11.
12. Rents, royalties, partnerships, estates, trusts, etc. .... **(Attach Federal Schedule E & 8582)** 12.

13a. Total IRA distributions ...... 13a. ______ 13b. Taxable amount **(Attach Form 1099)** 13b.
14a. Total pensions and annuities . 14a. ______ 14b. Taxable amount **(Attach Form 1099)** 14b.
15a. Social Security Benefits .... 15a. ______ 15b. Taxable amount .... 15b.
16. Net farm income .... **(Attach Federal Schedule F)** 16.
17. Other income (State Ref. ______ alimony ______ unemployment ______, etc., specify ______) 17.
18. Total of lines 6 thru 17 .... TOTAL ▸ 18.
19. Adjustments to income. Allowable IRA deduction ______ S.E. Tax ______ S.E. Health Insurance ______ Keogh/SEP ______ Alimony ______ Early Savings Withdrawal Penalty ______ 19.
20. FEDERAL ADJUSTED GROSS INCOME (subtract line 19 from 18) .... ▸ 20.

Note: Line 20 *must* match your Federal Adjusted Gross Income

ATTACH WITHHOLDING STATEMENTS HERE

ADDITIONS

21. Interest on state, county or municipal bonds (Non-Montana) .... 21.
22. Federal income tax refunds received (For taxes deducted in an earlier year) .... 22.
23. Other additions, transfer allocation of income (see instructions) (specify) ______ 23.
24. Total additions to income (Add lines 21 thru 23) .... TOTAL ▸ 24.
25. Add lines 20 and 24, enter result .... ▸ 25.

REDUCTIONS

26. Capital gains exclusion (see instructions and worksheet page 5) .... 26.
27. Interest exclusion for elderly .... 27.
28. Interest exclusion for savings bonds, etc. (specify) ______ 28.
29. Exempt retirement income (see worksheet; page 6) ______ 29.
30. Unemployment .... 30.
31. Tip Income .... 31.
32. Other reductions, state refund, transfer allocation of income, recycling of material (see instructions) (specify) ______ 32.
33. Total reductions to income (Add lines 26 thru 32) .... TOTAL ▸ 33.
34. Subtract line 33 from 25. Enter amount here and on line 35, page 2 ▸ 34.

Form 2 PAGE 2 1993

Last Name and Initial	Social Security Number	COLUMN A (For single only, separate or head of household)		COLUMN B (For spouse only when filing separate, and box 3 is checked)	

AGI

35. **MONTANA ADJUSTED GROSS INCOME** (From line 34) . . . . 35. ______ 35.

DEDUCTIONS

Check only one

36. Itemized Deductions: Enter total from Form 2A, line 91 or line 92 . . . . (A) ☐
Standard Deduction: **Enter 20% of line 35 (not more than $2,620** if filing single or married filing separately. **Not more than $5,240** (if filing joint or head of household) (B) ☐ 36. ______ 36.

37. Subtract line 36 from 35 and enter balance . . . . ▶ 37. ______ 37.

EXEMPTIONS

38. Multiply $1,400 times the number of exemptions on line 5 . . . . 38. ______ 38.

39. TAXABLE INCOME. Subtract line 38 from line 37 (But not less than zero) . . . . ▶ 39. ______ 39.

TAX COMPUTATION

▶ **Nonresidents and Part-Year Residents See Instructions, Pages 13-14** ◀

40. Tax from tax table below or Schedule IV . . . . 40. ______ 40.

41. Surtax—multiply amount on line 40 by 4.7% (.047) **NEW** . . . . . . 41. ______ 41.

42. Tax on lump sum distributions (See instructions page 7). **(Attach Federal Form 4972)** . . . . 42. ______ 42.

43. Subtotal—Add lines 40, 41 and 42. . . . . SUBTOTAL ▶ 43. ______ 43.

44. Credits from Form 2A, line 108, Schedule II . . . . 44. ______ 44.

45. Balance—Subtract line 44 from 43 and enter difference **(But not less than zero)** . . ▶ 45. ______ 45.

46. Investment credit recapture . . . . **(Attach Form R.I.C.)** 46. ______ 46.

47. Old Fund Liability Tax see instructions on page 7 **NEW** . . . . . . **(Attach Form OFLT)** 47. ______ 47.

48. For **each** of the programs below you and your spouse **each** may contribute $5, 10, 20 or any amount. Enter totals in boxes. See instructions for details.

Nongame Wildlife Program	Child Abuse Prevention	Agriculture in MT Schools
49.	50.	51.

Enter total amount in boxes . . . . . . ▶ 48. ______ 48.

53. TOTAL TAX—Add lines 45, 46, 47 and 48 . . . . TOTAL ▶ 53. ______ 53.

54. Combine amounts shown on line 53, columns A & B . . . . ▶ 54. ______ 54.

PAYMENTS AND CREDITS

55. Montana tax withheld . . . . **(Attach withholding statements)** 55. ______ 55.

56. Payments of 1993 estimated tax, amounts credited from previous year and/or payments made with extension . . . . 56. ______ 56.

57. Homeowner or Renter Credit . . . . . . **(Attach Form 2EC, receipts or certificates)** 57. ______ 57.

58. Total of lines 55 thru 57 . . . . TOTAL ▶ 58. ______ 58.

59. Combine amounts shown on line 58 columns A & B . . . . ▶ 59. ______ 59.

REFUND OR AMOUNT YOU OWE

60. If line 59 is larger than line 54 enter amount **OVERPAID** . . . . 60. ______ 60.

61. Amount on line 60 to be applied to 1994 estimate 61. ______

62. Amount on line 60 to be **Refunded to You** . . . . **REFUND** ▶ 62. ______ 62.

63. If line 54 is larger than line 59 enter **TAX DUE.** Attach check or money order for full amount if $1.00 or more.
Make checks payable to Department of Revenue . . . . **TAX DUE** ▶ 63. ______ 63.

NEW ▶

Under payment penalty*	64.
Late filing penalty*	65.
Late payment penalty*	66.
Interest 3/4% (.0075) per month	67.
Total of Lines 63, 64, 65, 66 & 67	68.

*see instructions for calculation of penalties (Pg. 2)

Name, Address and Telephone number of preparer

PLEASE SIGN HERE

☐ **My/our initials authorize the State to contact the preparer regarding this return. I/we waive my/our constitutional right of privacy for this limited purpose.**

☐ If you do not need state income tax forms and instructions mailed to you next year, check box.

Your signature   Date   Telephone Number   Spouses signature (if filing jointly both must sign)   Date

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

Mail to: Income Tax Division Montana Dept. of Revenue P.O. Box 5805 Helena, Montana 59604-5805

TAX TABLE

If Taxable Income is:

Over	But not over	Multiply by	and Subtract	= Tax
$ 0	$ 1,700	× 2%	$ 0	
$ 1,700	$ 3,500	× 3%	$ 17	
$ 3,500	$ 7,000	× 4%	$ 52	
$ 7,000	$ 10,500	× 5%	$ 122	
$10,500	$ 14,000	× 6%	$ 227	
$ 14,000	$ 17,500	7%	$ 367	
$ 17,500	$ 24,400	8%	$ 542	
$ 24,400	$ 34,900	9%	$ 786	
$ 34,900	$ 61,100	10%	$ 1,135	
$ 61,100		11%	$ 1,746	

Example = taxable income $2,000 × 3% (.03) = $60 subtract $17 = $43 tax

TOTAL INCOME

Total income includes salaries and wages, interest and dividends, nonfarm net business income, net farm income, partnership income, income from capital gains, rents and royalties, pension income, social security benefits, unemployment compensation, state refunds, alimony, and other miscellaneous income.

Less Adjustments To Income:

- IRA/Keogh Deductions
- Self-Employment Taxes
- Self-Employment Health Insurance (through 1993)
- Alimony Paid and Penalties on Early Withdrawal of Savings

EQUALS FEDERAL ADJUSTED GROSS INCOME

Plus Additions To Arrive at Montana Adjusted Gross Income:

- Non-Montana State/Local Gov't Bond Interest Income
- Federal Tax Refunds
- Other Additions

Less Subtractions to Arrive at Montana Adjusted Gross Income:

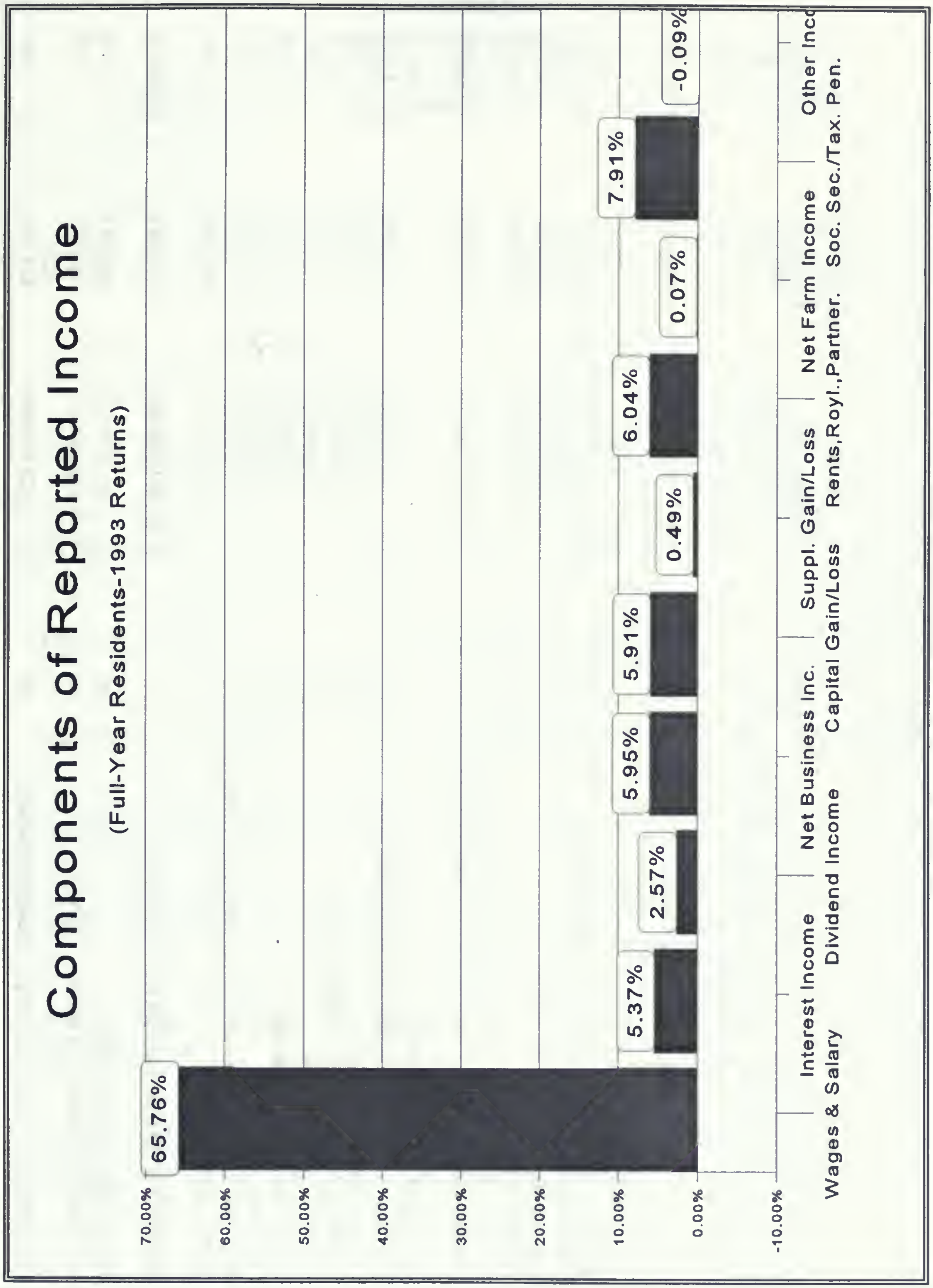
- 40% Capital Gains Exclusion on Pre-1987 Installment Sales
- Interest Exclusion For The Elderly
- Interest Exclusion for U.S. Savings Bonds
- Exempt Retirement Income
- Unemployment Benefits
- Tip Income and Other Reductions

EQUALS MONTANA ADJUSTED GROSS INCOME

Less Itemized Deductions or Standard Deduction:

Less Personal Exemptions:

EQUALS MONTANA TAXABLE INCOME


Components of Reported Income
(Full-Year Residents-1993 Returns)
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
-10.00%
65.76%
5.37%
2.57%
5.95%
5.91%
0.49%
6.04%
0.07%
7.91%
-0.09%
Wages & Salary
Interest Income
Dividend Income
Net Business Inc.
Capital Gain/Loss
Suppl. Gain/Loss
Rents,Royl.,Partner.
Net Farm Income
Soc. Sec./Tax. Pen.
Other Inc

Reconciliation of Total Income From All Sources (Federal) and Montana Taxable Income
All Filers - 1993 Tax Year

Item of Information	Line	Total Reported	Number of Returns	Average per Return
TOTAL INCOME FROM ALL SOURCES (FEDERAL)	**18**	**$ 13,605,528,268**	**458,188**	**$ 29,694**
IRA/keogh plan payments, self-emp. tax/health insurance, etc.	19	174,767,993	85,559	2,043
TOTAL FEDERAL ADJUSTMENTS	19	174,767,993	85,559	2,043
FEDERAL ADJUSTED GROSS INCOME	**20**	**$ 13,430,760,275**	**458,113**	**$ 29,318**
MONTANA ADDITIONS:				
Interest on non-Montana state/local gov't bonds	21	$ 176,958,452	18,928	$ 9,349
Federal income tax refunds	22	128,285,547	90,934	1,411
Other additions, transfer allocations	23	199,785,930	22,812	8,758
TOTAL ADDITIONS	24	505,029,929	119,845	4,214
FEDERAL ADJ. GROSS INCOME PLUS ADDITIONS	25	$ 13,935,790,204	458,349	$ 30,404
MONTANA REDUCTIONS:				
Capital gains exclusion for pre-1987 installment sales	26	$ 18,307,264	5,683	$ 3,221
Interest exclusion for elderly	27	47,905,033	59,363	807
Interest exclusion for U.S. savings bonds	28	152,041,088	28,287	5,375
Exempt retirement income	29	153,886,713	43,170	3,565
Unemployment Compensation	30	75,654,951	32,881	2,301
Tip Income	31	11,738,085	6,789	1,729
Other reductions, transfer allocations, recycling of materials	32	413,302,577	98,321	4,204
TOTAL REDUCTIONS	33	872,835,711	195,140	4,473
MONTANA ADJUSTED GROSS INCOME	**35**	**$ 13,062,954,493**	**455,615**	**$ 28,671**
STANDARD DEDUCTIONS	36	$ 371,759,629	198,183	$ 1,876
ALLOWABLE ITEMIZED DEDUCTIONS	36	3,598,144,653	260,735	13,800
EXEMPTION VALUE ($1,400 per exemption claimed)	38	$ 1,222,879,000	458,915	$ 2,665
MONTANA TAXABLE INCOME	**39**	**$ 8,556,260,243**	**397,565**	**$ 21,522**

1993
MONTANA INCOME TAX ANALYSIS
ALL TAXPAYERS
COMPARISON OF ITEMIZED VS. STANDARD FILERS

ITEM	ITEMIZED	STANDARD
NUMBER OF RETURNS	260,735	198,183
TOTAL RETURNS	458,918	458,918
PERCENT	56.8%	43.2%
DEDUCTIONS	$3,598,144,653	$371,759,629
TAXABLE INCOME	$6,998,815,620	$1,557,444,623
NUMBER OF RETURNS	260,735	198,183
AVG. TAXABLE INCOME	$26,843	$7,859
AVG. STANDARD & ITEMIZED DEDUCTION	$13,800	$1,876
ITEM. OR STANDARD DEDUCTION AS PERCENT OF TAXABLE INCOME	51.4%	23.9%

Last Name and Initial | Social Security Number

SCHEDULE I — ITEMIZED DEDUCTIONS

COLUMN A (For single, joint, separate or head of household) | COLUMN B (For spouse)

ROUND TO NEAREST DOLLAR

Medical and Dental Expenses

69. Prescription medicines, drugs, insulin, doctors, dentists, hospitals, Ins. prems., transportation, lodging, hearing aids, dentures, eyeglasses .... 69.
70. **Enter 7.5% (.075) of line 35, Form 2** .... 70.
71. **Subtract** line 70 from line 69 .... 71.

	COLUMN A	COLUMN B
69.		
70.		
71.		

Enter amount(s) from line 71 on line 72 in corresponding column(s)

TOTAL MEDICAL AND DENTAL ▶ 72.

73. Long Term Care Insurance .... 73.

Taxes You Paid

Federal Income Tax (Do not include self-employment tax)

74. Paid by withholding or declaration in 1993 .... 74.
75. Balance of 1992 tax paid in 1993 .... 75.
76. Additional tax for years ________________ paid in 1993 .... 76.

Other taxes (Do not include Montana income tax, sales tax or old fund liability tax).

77. Real estate, personal property taxes .... 77.
78. Motor vehicle(s) fees/taxes, other deductible taxes .... 78.

Interest You Paid

NOTE: **Personal interest is not deductible**

79. Home mortgage interest ______________ Deductible Points ______________ 79.
If paid to the person from whom you bought the home, please provide person's name, address & social security #________________________

80. Deductible Investment Interest .... **(Attach Federal Form 4952)** 80.

Other

81. Contributions .... 81.
82. Child and Dependent Care Expense
(Federal schedule not accepted)—**Attach Montana Form 2441M** .... 82.
83. Casualty and Theft Losses .. **(Less exclusion—Attach Federal Form 4684)** 83.
84. Moving Expense .... **(Attach Federal Form 3903)** 84.

Miscellaneous Deductions

85. Unreimbursed Employee business expenses ... 85.
(Attach Federal Form 2106)
86. Other expenses (List type & amount) ____________
________________________________ 86.
87. Add lines 85 and 86 .... 87.
88. Enter 2% (.02) of line 35, Form 2 .... 88.

	COLUMN A	COLUMN B
85.		
86.		
87.		
88.		

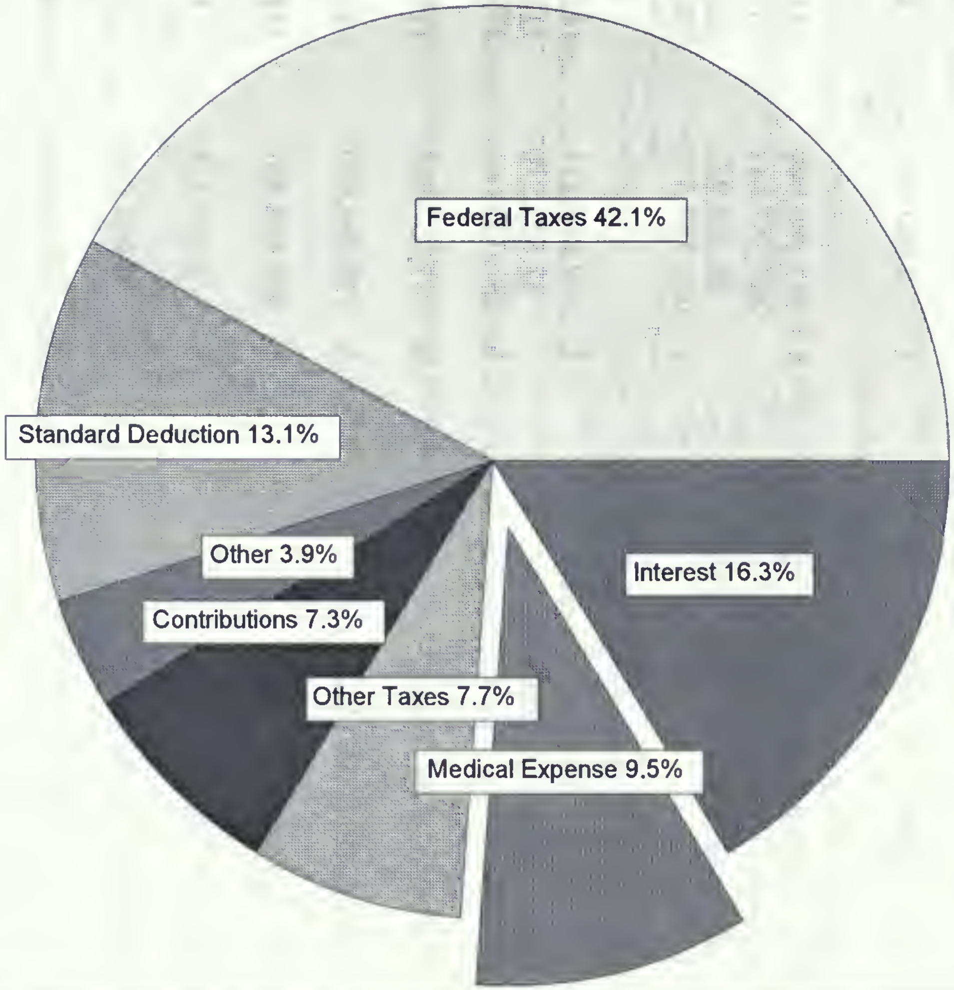
89. **Subtract** line 88 from 87 enter balance in corresponding column(s)
(If less then zero enter zero.) .... 89.
90. Misc. deduction not subject to 2% A.G.I. (list type, & amount) ____________
________________________________ 90.

Total Deductions

91. Add lines 72-84, 89 and 90 .... **TOTAL DEDUCTIONS** ▶ 91.
If the amount on Form 2, line 35, is less than $108,450 if filing joint, single or head of household, **or** is less than $54,225 if you are married filing separately, enter the amount from line 91, on Form 2, line 36.
92. **ALLOWABLE DEDUCTIONS** .... ▶ 92.
If the amount on Form 2, line 35, is more than $108,450 if filing joint or single, or is more than $54,225 if you are married filing separately, see page 9 of the instructions for the amount to enter on line 92. Enter this amount on line 36, Form 2.

Deductions Claimed on 1993 Returns

(Full Year Residents - by Dollar Value)



1993
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
ITEMIZED DEDUCTIONS FOR ALL TAXPAYERS

ITEM	TOTAL AMOUNT	NO. OF CLAIMS	AVERAGE
MEDICAL	$ 239,628,759	84,819	$ 2,825
LONG TERM CARE INS. PREM.	$ 5,667,765	2,809	2,018
FEDERAL TAX DEDUCTION			
Paid by Withholding or Est. Tax	$ 1,787,980,999	214,554	$ 8,333
Balance of 1992 Paid in 1993	267,557,643	67,106	3,987
Additional Taxes for other Years	28,220,937	5,265	5,360
TOTAL	$ 2,083,759,579	286,925	$ 7,262
PROPERTY & OTHER TAXES			
Real Estate, Personal Property	$ 199,882,131	162,506	$ 1,230
Motor Vehicle & Other Taxes	37,875,510	111,316	340
TOTAL	$ 237,757,641	273,822	868
MORTGAGE INTEREST	$ 447,257,854	117,129	$ 3,819
INVESTMENT INTEREST	$ 119,264,693	11,727	$10,170
CONTRIBUTIONS	$ 365,668,481	158,923	$ 2,301
CHILD & DEP. CARE	$ 2,165,121	1,961	$ 1,104
CASUALTY LOSSES	$ 4,932,019	525	$ 9,394
MOVING EXPENSE	$ 23,650,777	6,614	$ 3,576
BUSINESS & OTHER EXPENSES	$ 125,930,505	48,615	$ 2,590
MISC. EXPENSE	$ 6,138,977	2,642	$ 2,324
TOTAL	**$ 3,661,842,171**	(Before Adjusting to Allowable)	

Note: A return filed may have federal or property tax deductions on more than one line. Thus, one return can be counted twice when all lines are totaled.

Montana

FORM 2A

Last Name and Initial	Social Security Number

SCHEDULE II — CREDITS AGAINST TAX

		COLUMN A (For single, joint, separate or head of household)	COLUMN B (For spouse)	
93. Physician Credit for Rural Practice .... (See instructions)	93.			93.
94. College Contribution Tax Credit .... Attach Form CC (See instructions)	94.			94.
95. Credit for elderly care .... Attach Form ECC	95.			95.
96. Credit allowed residents for income taxes paid to other states or countries .... Attach Schedule V	96.			96.
97. Contractor's gross receipts tax credit .... Attach list of credits	97.			97.
98. Investment tax credit .... From Schedule VI	98.			98.
99. Credit for installation of Biomass/ Pellet/Geothermal energy systems .... Attach Form ENRG-B	99.			99.
100. Credit for investment in energy conservation installations .... Attach Form ENRG-C	100.			100.
101. Credit for wind-powered generation equipment .... Attach Form 2WPC	101.			101.
102. Recycling Credit .... Attach Form RCYL	102.			102.
NEW 103. Alternative Fuel Credit .... Attach Form AFCR	103.			103.
104. Montana Capital Company Credit .... (See instructions)	104.			104.
105. Dependent Care Assistance Credit .... (Employer) Attach Form DCAC	105.			105.
106. Health Insurance for Uninsured Montanans .... (Employer) Attach Form HI	106.			106.
107. All other credits .... (Attach detailed explanation)	107.			107.
108. **Total credits**—Enter here and on Form 2, line 44	108.			108.

SCHEDULE III — NONRESIDENT/PART YEAR RESIDENT ALLOCATION INCOME REPORTABLE TO MONTANA

Show only portions derived from Montana sources

YOU MUST ATTACH A COPY OF FEDERAL RETURN

		Yourself Column A	Spouse Column B	
109. Wages, Salaries, Tips	109.			109.
110. Interest Income	110.			110.
111. Dividend Income	111.			111.
112. Net Business Income	112.			112.
113. Capital Gain or (Loss)	113.			113.
114. Supplemental Gain or (Loss)	114.			114.
115. Taxable portion of Social Security	115.			115.
116. Taxable Pensions, Etc.	116.			116.
117. Rents, Royalties, Partnerships, Etc.	117.			117.
118. Net Farm Income	118.			118.
119. Other Income/Loss (State Refund and/or Federal Refund, Etc.)	119.			119.
120. Montana Total Income (Add lines 109 through 119)	120.			120.

SCHEDULE IV — NONRESIDENT/PART YEAR RESIDENT TAX COMPUTATION

		COLUMN A	COLUMN B	
121. Montana Total Income from Line 120 above	121.			121.
122. Enter Federal Income from line 18, plus amount on line 21 and 22, Form 2	122.			122.
123. Divide amount on line 121 by amount on line 122	123.	%	%	123.
124. Amount from line 39, Form 2 (taxable income)	124.			124.
125. Calculate tax on amount on line 124 using tax table on Form 2, page 2	125.			125.
126. Nonresident tax: Multiply percentage on line 123 by amount on line 125 and enter result here and on line 40, Form 2, this is the amount of your tax ...	126.			126.

1993
MONTANA INCOME TAX ANALYSIS
SUMMARY OF
INCOME TAX CREDITS FOR ALL TAXPAYERS

ITEM	TOTAL AMOUNT	NO. OF CLAIMS	AVERAGE
RURAL PHYSICIAN CREDIT	$ 293,514	62	$ 4,734
COLLEGE CONTRIBUTION CREDIT	$ 86,589	1,469	$ 59
ELDERLY CARE CREDIT	$ 18,557	29	$ 640
OTHER STATE/FOREIGN TAXES	$ 5,748,997	6,860	$ 838
CONTRACTORS GROSS RECEIPTS CREDIT	$ 336,083	149	$ 2,256
INVESTMENT CREDIT	$ 260,290	395	$ 659
NONFOSSIL ENERGY CREDIT	$ 279,514	1,327	$ 211
ENERGY CONSERVATION CREDIT	$ 153,005	2,144	$ 71
WIND-POWERED GENERATION	$ 760	11	$ 69
RECYCLING CREDIT	$ 200,396	49	$ 4,090
MOTOR VEH. CONVERSION TO ALTERNATIVE FUELS	$ 11,333	32	$ 354
CAPITAL COMPANY CREDIT	$ 143,216	28	$ 5,115
DEPENDENT CARE ASSISTANCE CREDIT	$ 629	3	$ 210
EMPLOYEE HEALTH INSURANCE CREDIT	$ 8,522	16	$ 533

Comparisons of Individual Income Tax Burdens
Tax Per $1,000 of Personal Income
All States, Tax Year 1992

National Rankings

Rank	State	Tax Per $1,000 PI
1	Oregon	43.26
2	Massachusetts	38.69
3	Hawaii	37.72
4	New York	36.75
5	Minnesota	35.38
6	Wisconsin	35.35
7	Delaware	35.16
8	Idaho	33.60
9	North Carolina	31.56
10	Utah	30.18
11	Iowa	29.18
12	Kentucky	28.93
13	Maine	27.45
14	Maryland	26.96
15	California	26.89
16	Georgia	26.69
17	Vermont	26.62
18	Virginia	26.31
19	South Carolina	25.63
20	Montana	25.37
21	Rhode Island	24.80
22	Oklahoma	24.69
23	Colorado	24.65
24	Arkansas	24.50
25	West Virginia	23.79
26	Nebraska	23.13
27	Indiana	22.86
28	Ohio	22.67
29	Connecticut	21.79
30	New Jersey	20.58
31	Pennsylvania	20.31
32	Arizona	19.95
33	Missouri	19.94
34	New Mexico	19.65
35	Alabama	19.44
36	Illinois	19.15
37	Michigan	18.55
38	Kansas	18.24
39	Louisiana	13.58
40	Mississippi	12.72
41	North Dakota	12.07
42	New Hampshire	1.45
43	Tennessee	1.14

Regional Rankings

Rank	State	Tax Per $1,000 PI
1	Oregon	40.32
2	Utah	29.54
3	Idaho	28.93
4	Montana	23.18
5	North Dakota	11.80

States with No Income Tax

Alaska
Florida
Nevada
South Dakota
Texas
Washington
Wyoming

SOURCE: State Government Tax Collections, U.S. Department of Commerce, 1992.

Comparison of Tax Structure

Montana and Surrounding States

Individual Income Tax - Tax Year 1993

State	Rates	Taxable Income Brackets		Personal Exemptions (Credits)			Standard Deductions		
		Lowest	Highest	Single	Married-J	Dependents	Percent	Single	Married-J
Idaho	2.0% - 8.2%	1,000	20,000	2,350	4,700	2,350	N/A	3,700	6,200
Montana	2.0% - 11.0%	1,700	61,100	1,400	2,800	1,400	20	2,620	5,240
North Dakota	- - -14% of Federal Tax Liability- - -			2,350	4,700	2,350	N/A	3,700	6,200
Oregon	5.0% - 9.0%	2,000	5,000	(109)	(218)	(109)	N/A	1,800	3,000
Utah	2.55% - 7.2%	750	3,750	1,725	3,450	1,725	N/A	3,700	6,200
South Dakota		----------------		NO STATE INCOME TAX			----------------		
Washington		----------------		NO STATE INCOME TAX			----------------		
Wyoming		----------------		NO STATE INCOME TAX			----------------		

SOURCE: Significant Features of Fiscal Federalism, ACIR, 1994.

SOME ITEMS OF MONTANA'S INDIVIDUAL INCOME TAX SYSTEM THAT DIFFER FROM OTHER STATES

Tax Item	*Tax Expenditure**	*Comments*
RETIREMENT EXCLUSION • *Maximum $3,600*	$6.8 million	Phased out $2 for every $1 over $30,000 of Federal Adjusted Gross Income
UNEMPLOYMENT BENEFITS	$2.2 million	One of 9 states
ELDERLY INTEREST EXCLUSION	$1.9 million	One of very few states
TIP INCOME EXCLUSION	$0.3 million	One of very few states
MARRIED-SEPARATE FILING • *Advantageous Filing Status*	$34.0 million	One of 10 states; 10 other states have special joint rate schedules that basically eliminate any marriage penalty
SOCIAL SECURITY BENEFITS	$25.3 million	All states exclude at least some S.S. benefits
CAPITAL GAINS EXCLUSION	$1.2 million	Pre-1987 gains only
FEDERAL TAX DEDUCTION	$90.9 million	One of 9 states

* Tax Expenditure Report for the State of Montana for Fiscal Years 1994 & 1995

RECENT SIGNIFICANT CHANGES TO MONTANA INDIVIDUAL INCOME TAX STATUTES

ESTIMATED TAX REQUIREMENTS

Effective Jan. 1, 1993 Montana's Estimated Tax requirements changed as a result of passage of HB 14, (January 92 Special Session). Montana taxpayers who have a tax liability (after subtracting credits & withholding) greater than $500 will be required hereafter to file estimated tax payments. The administrative mechanisms and threshold amounts were patterned after federal requirements.

The schedule for these payments is:

April 15th ** June 15th ** September 15th ** January 15th

The amount required to be paid is the lesser of 100% of the previous year's liability or 90% of the current year's liability.

The estimated tax places the wage earner and the self employed person on the same footing regarding a "pay as you go" concept.

NONRESIDENT TAX CALCULATION REQUIREMENTS

Effective for tax years beginning on or after January 1, 1992, the tax calculations for nonresidents and part-year residents changed as a result of passage of HB 54, (July 1992 Special Session). These taxpayers must now determine taxable income in the same manner as residents. Previously, the statutes required extensive sourcing of income and expenses as well as a proration of personal exemptions. Under the new law, the tax due is calculated based on a single proration of income earned in Montana to total income multiplied times the tax on a nonresident's total income.

On balance, these taxpayers were placed in a higher marginal tax bracket.

RECENT CHANGES CONTINUED

SURTAX

Effective for tax years 1992 and 1993, tax calculations for individual income tax are required to include the addition of a surtax as a result of passage of HB 44, (July 1992 Special Session). The rate applied to 1992 liabilities was 2.3% and for 1993 liabilities the rate was 4.7%.

To implement the surtax for income tax purposes, withholding tables were revised for the last 3 months of 1992 to impose the surtax at 7% as a "catch-up" for the 9 previous months of no withholding for the surtax. Another set of tables were issued effective January 1, 1993 to change the surtax from the previous temporary 7% to the new rate of 4.7%. In addition, adjustments were made to compensate for inflation since 1987 - the base year of the current tables. Generally, this lowered Montanans' withholding.

EXTENSION REQUIREMENTS

Effective for tax years 1992 and beyond, HB 959, (1991 Regular Session), individuals requesting an extension of time to file their returns are required to have paid the lesser of 100% of their previous year's tax liability or 95% of the current year's tax liability.

ENACTMENT - SUSPENSION - REPEAL OF HB 671

Enacted by the 1993 Legislature, this tax reform proposal revamped Montana's Individual and Corporation License Tax framework. On the individual level the most significant changes were to replace Montana's graduated rate structure (presently 2% - 11%) with a single flat rate of 6.7% of Montana taxable income. As well, the new law increased personal exemptions, standard deductions and eliminated itemized deductions. At the tax rate of 6.7%, the tax was expected to raise approximately $32 million in additional tax per year. The new tax law was implemented June 8th, 1993, suspended in September of 1993, and by public vote repealed in November of 1994. The end result was to return the state to the tax law in place before the new enactment.

OLD FUND LIABILITY TAX

HB 504 was signed into law on May 13, 1993. The law created the Old Fund Liability Tax (OFLT) changing the existing Workers' Compensation Payroll Tax which was in place to pay the unfunded liability for the old portion (pre-July 1, 1990) of the State Workers' Compensation Fund. The Payroll Tax was paid solely by employers.

The OFLT created by HB 504 includes three components:

Employer portion - increased from $.28 per $100 in wages to $.50;

Employee portion - $.20 per $100 in wages;

Self-employed portion - $.20 per $100 (minimum $25) computed:
..On the profit of each separate business of a sole proprietor;
..On the distributive share of ordinary income of each shareholder, partner, or member/manager of Subchapter "S" Corporations, Partnerships, and/or Limited Liability Companies (Tax year 1993 only, the tax rate on the self-employed was $.10 per $100.)

The OFLT that is in excess of the original Payroll Tax (.28%) terminates at the end of Fiscal Year 2007.

WITHHOLDING TAX

History of Tax Tables

1-1-87 The 1983 tax tables were revised to address middle income, two-wage earner families who were consistently underwithheld; lower income families who were overwithheld; and tax indexation.

7-1-87 The 1987 Legislature enacted a 10% surtax effective for tax year 1987 and 1988. Tax tables effective 7-1-87 reflected a 20% increase in withholding over the last 6 months of 1987.

1-1-88 Tax tables were revised to reflect the 10% surtax over the entire 1988 tax year.

1-1-89 Tables were published to reflect removal of the 10% surtax.

1-1-90 The 5% Education Surtax in Lieu of a General Sales Tax was enacted by the 1989 Legislature. The tables were revised to reflect the 5%.

1-1-91 The 5% surtax was removed; tables reflected the decrease.

9-1-92 Tables reflected the 2.3% surtax enacted by the July 1992 Special Session of the Legislature.

1-1-93 Tax tables were published to reflect the 4.7% surtax enacted by the 1992 Special Session and, in addition, adjustments for inflation occurring since 1987. The net result was a decrease in withholding from the previous tables.

7-1-93 The tax tables were adjusted to reflect HB 671, enacted by the 1993 Legislature.

4-1-94 Tables were revised to reflect the repeal of HB 671. The effective was to return withholding to the tables in effect 1-1-93 less the surtax.

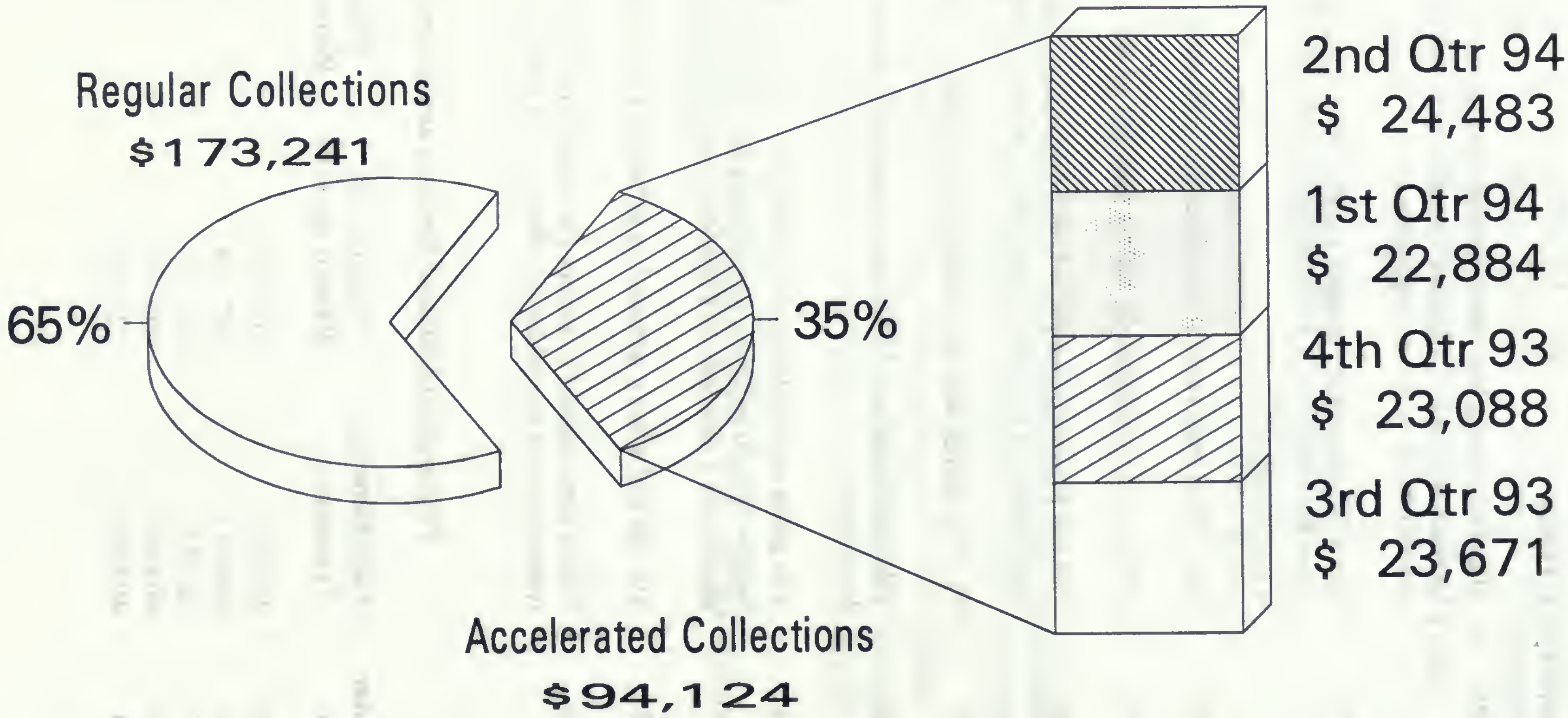
Percentage of Refund Returns and Average Refund

Calendar Year	Total Returns Processed	Number of Refund Returns	Percentage Refund Returns	Average Refund
1990	377,079	207,036	55%	$226.63
1991	389,953	217,114	56%	$236.31
1992	388,842	223,040	57%	$232.21
1993	405,807	232,399	57%	$278.33
1994	407,560	225,329	55%	$333.87

Withholding Collections

$267,365 Total for FY 94

Accelerated Collections Breakout

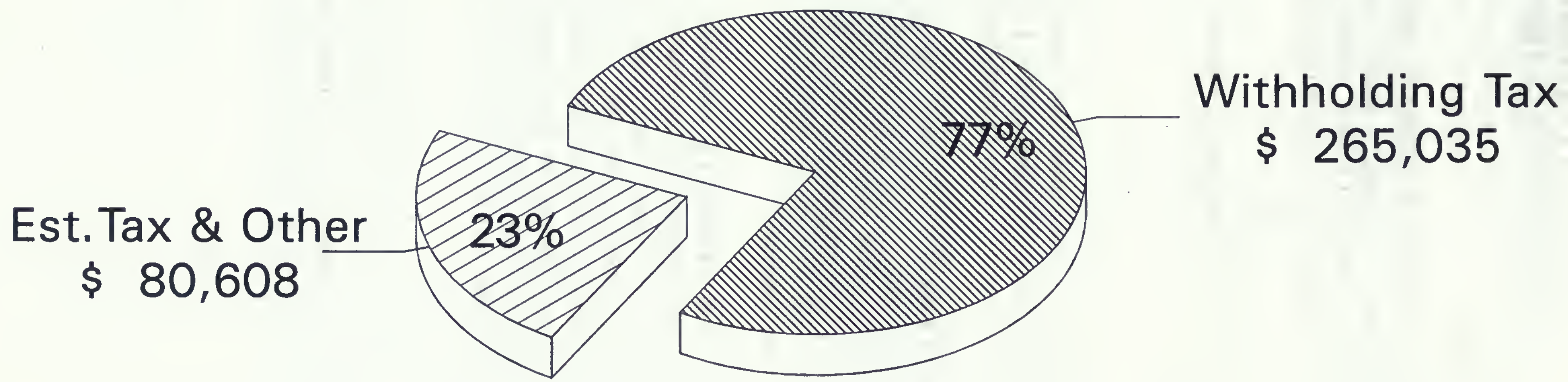


Amounts are in thousands

Collections Only: Accruals Not Considered

Income Tax Collections - FY 94

Total Collections - $345,643
Including Accruals



Amounts are in thousands

"INCOME TAX REFORM" PROPOSALS AS IDENTIFIED IN PREVIOUS SESSIONS

In no particular order:

LIMITING DEDUCTIBILITY OF FEDERAL INCOME TAXES. Under current law a person who itemizes deductions in arriving at taxable income (as opposed to taking the standard deduction), is allowed to deduct all federal income taxes paid during the tax year. Montana is 1 of 10 states to allow this deduction. This is the largest itemized deduction accounting for 48% of the total.

Previous suggestions included eliminating the deduction or placing a "cap" or upper limit on the allowable amount.

"TIE TO FEDERAL" Under current law we are substantially tied to federal tax codes. The previous discussions of tieing to federal explored 2 further options: either tieing Montana's tax calculations to a percentage of federal taxable income or a percentage of federal tax liability.

> **FEDERAL TAXABLE INCOME** Past proposals which tied Montana to the federal taxable income meant accepting the federal itemized deductions and federal exemptions. However, federal taxable income would have to be reduced at least by income which can not be taxed by Montana, such as interest on U.S. savings bonds, Indian income, railroad retirement, etc. The Montana tax liability was then calculated using the same or a revised income tax rate structure.
>
> **FEDERAL TAX LIABILITY** Proposals which tied the Montana tax liability to a percentage of the federal tax liability involve a two step process. First, the federal taxable income is reduced by income which cannot be taxed by Montana because of federal law, then the tax is recalculated using the federal rates. Secondly, the revised federal tax is multiplied by the desired Montana percentage to arrive at a person's Montana tax liability. An important consideration in this approach is the federal starting point. Other states which tie to federal tax liability have different starting points: some after the federal tax liability but before the federal credits, and some after the federal credits including the earned income credit.

"FLAT TAX" generally refers to a single tax rate in contrast to our current graduated rate schedule (tax rates from 2% to 11%). The single rate is applied to taxable income as the base. A "flat tax" can take many forms such as a "tie to federal" as discussed above, applying a single rate to a federal base reduced by personal exemptions and standard deductions as was the case with the ill-fated HB 671.

SURTAX / SURCHARGE Surtaxes are often misunderstood to be an absolute increase to the current rate schedules. While a surtax has the effect of increasing taxes, it is an additional amount of tax due calculated by applying the surtax percentage times the normally calculated tax. A surtax is administratively accomplished by revising withholding tables and adding a single line to the return.

In recent years Montana has imposed the following surtaxes:

Calendar Year	Surtax Rate
1987	10%
1988	10%
1989	no surtax
1990	5%
1991	no surtax
1992	2.3%
1993	4.7%

JOINT RATES Under current law Montana is 1 of 10 states in which it is advantageous for married couples who both have income to file separate returns. The ability for a married person to file a separate return creates a tax advantage because the taxable income of each spouse is generally taxed at a lower rate than if both spouses' incomes were combined and then taxed. This is true because Montana's tax rates are graduated and do not distinguish by filing status. Federal tax statutes in contrast, encourage married couples to file jointly.

ELECTRONIC TAX REPORTING for EMPLOYERS AND INDIVIDUALS

In this era of "reduce costs/improve service," the Montana Department of Revenue is looking to electronic commerce to fill the gaps. One of the most visible measures available is electronic transmission of information and payments.

Before we can talk about electronic commerce, we need to understand what it is and how it works. A few terms are helpful...

EC Electronic Commerce - the realm of technology available to communicate electronically in the business setting

EDI Electronic Data Interchange - the electronic transmission of information from one computer to or through multiple computers to another computer

EFT Electronic Funds Transfer - an electronic remittance, the transmission of the information to insure the debit/credit of appropriate accounts which results in payment of a bill, tax, etc.

ETR Electronic Tax Reporting for Employers - the combination of EDI and EFT specific to the filing of employer tax returns

ELF Electronic Filing for Individuals - EDI specific to the filing of individual income tax returns

ACH Automated Clearing House - Many electronic fund transfer transactions are processed and transmitted via an automated clearing house which provides enabling services such as paperwork processing, error tracking, etc. The National Association of Clearing House Administrators (NACHA) has developed transmission standards for users

During the last part of 1994 and all of 1995, the Department will be involved in pilot projects using electronic reporting for employer returns (Withholding/OFLT) and individual income tax returns.

<u>Electronic Tax Reporting for Employers (ETR)</u>
Electronic Tax Reporting consists of both the electronic filing of a return (EDI) and the electronic payment of the tax (EFT). ETR is a two step process. The taxpayer: 1) types the information into the computer in a predetermined format; and 2) "calls" the department (via computer modem) and transmits the data.

Montana has accepted electronic payment for a number of years. The payments have been in the form of Fed Wire Transfers, a cumbersome, antiquated process which requires human intervention. To streamline the payment process, the department has developed the capability to accept ACH Credits and Debits. An ACH Credit occurs when the taxpayer contacts his/her own bank to initiate the transfer. Under the ACH Debit option, the taxpayer authorizes the department to withdraw a specific amount of money from the taxpayer's bank account. These banking transactions are easily automated, requiring very little human intervention.

A pilot program involving the electronic filing and the electronic payments was initiated during the fourth quarter of 1994. A small number of employers were given the opportunity to participate. As the players involved acquire technical and practical experience with the process, the option will be expanded to all employers.

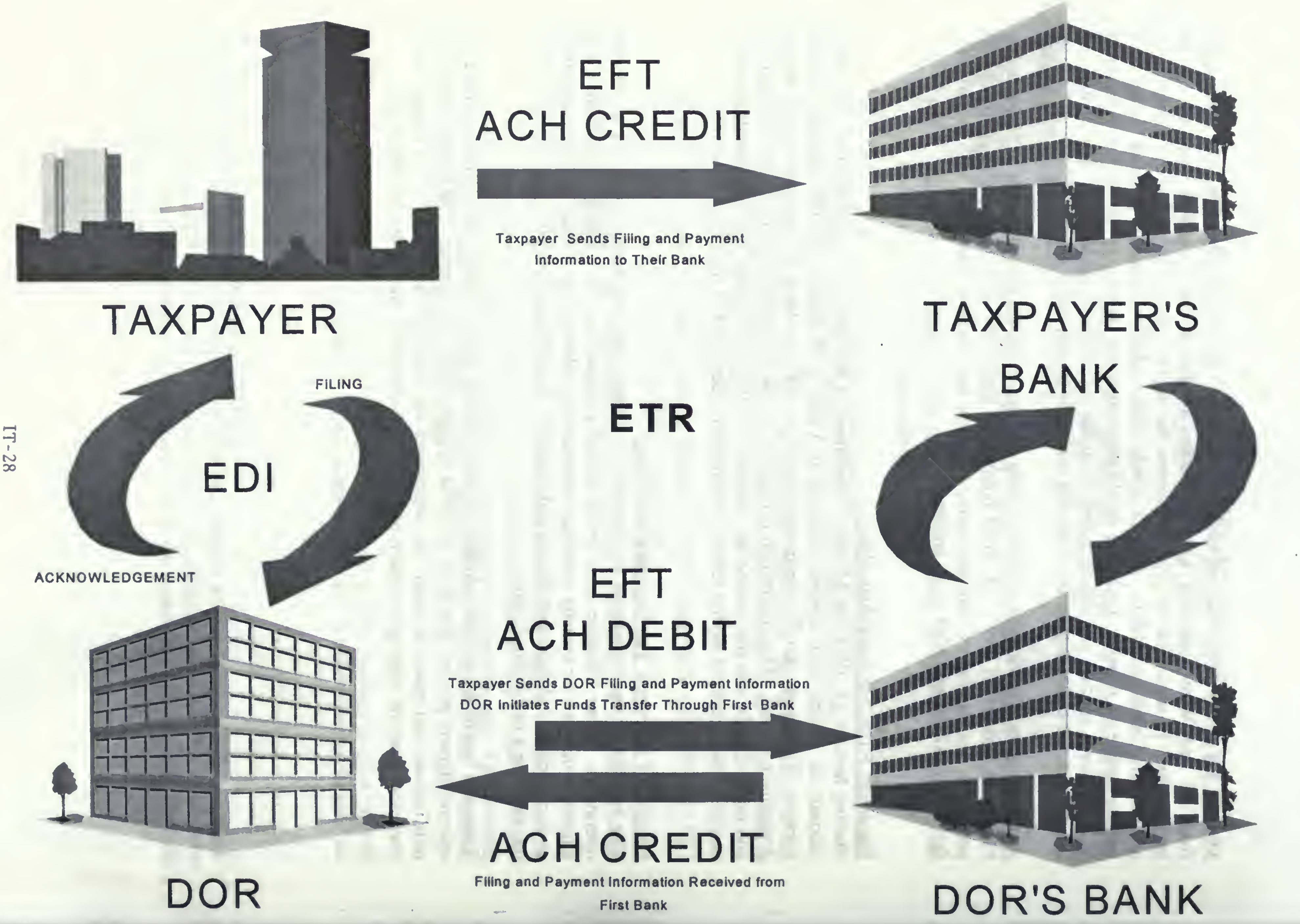
Electronic Filing For Individuals (ELF)

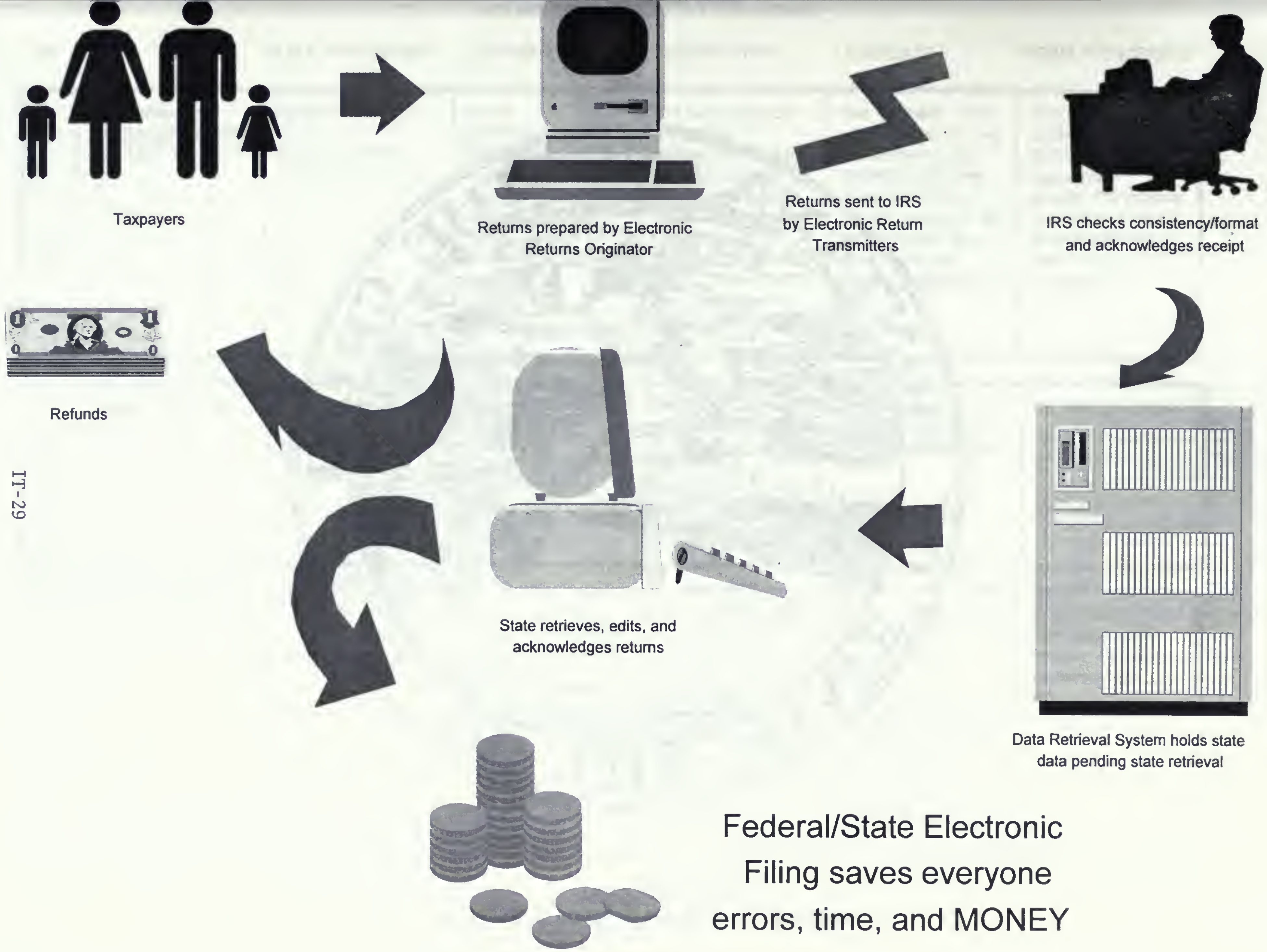
Starting January 15, 1995, the Montana Department of Revenue will accept electronically filed income tax returns from resident taxpayers in a joint pilot project with the Internal Revenue Service. Taxpayers who file electronically with the IRS can have the information sent to the department as well. The information is received by the department electronically, reformatted, and input directly into the income tax system. By 1996 the program will be expanded to give taxpayers the option of having refunds electronically deposited in their bank accounts.

Benefits of Electronic Tax Reporting and Filing

The benefits to the department are tremendous. Both programs lessen the strain on current operations. Labor intensive, error prone manual processes can be reduced. Electronic filing eliminates the need for opening envelopes and extracting information, manual sorting, data entry, error correction, and document storage and retrieval. In addition, electronic payment eliminates the need for a cashiering function.

Taxpayers benefit through the reduction of paper and the ease in filing. Both programs have an acknowledgment process that is not included in paper return processing. The taxpayer receives notification (and peace of mind) the department has accepted the return. On a larger scale, everyone benefits when government operates more efficiently and more cost effectively.


EFT
ACH CREDIT
Taxpayer Sends Filing and Payment
Information to Their Bank
TAXPAYER
TAXPAYER'S
BANK
FILING
EDI
ACKNOWLEDGEMENT
ETR
EFT
ACH DEBIT
Taxpayer Sends DOR Filing and Payment Information
DOR Initiates Funds Transfer Through First Bank
ACH CREDIT
Filing and Payment Information Received from
First Bank
DOR
DOR'S BANK



Taxpayers
Returns prepared by Electronic Returns Originator
Returns sent to IRS by Electronic Return Transmitters
IRS checks consistency/format and acknowledges receipt
Refunds
State retrieves, edits, and acknowledges returns
Data Retrieval System holds state data pending state retrieval
Federal/State Electronic Filing saves everyone errors, time, and MONEY

INCOME & MISCELLANEOUS TAX DIVISION
TAX CALENDAR

9 December 1994

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
AT	Accommodations Tax (Lodging Facility Use Tax)	Section 15-65-111 Rules 42.14.101	4% of accommodation charge collected by the facility. Charges do not include charges for rooms used for purposes other than lodging.	The tax is paid by any facility represented to the public as a hotel, motel, campground, resort, dormitory, condominium inn, dude ranch, guest ranch, hostel, public lodging house, or bed and breakfast facility.	Due quarterly. The report is due the last day of the month following the close of each calendar quarter and must be accompanied by a payment in an amount equal to the tax.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Credit for overpayment; 5 year statute of limitations.
CD	Recreation Vehicle Fee	Section 61-3-524 No Rules	Recreation Vehicle fee $3.50	Includes campers under the definition of motor vehicles subject to a Recreation Vehicle fee for the Fish, Wildlife & Parks Dept.	D.O.R collects and deposits the fee in a Fish Wildlife & Parks account.	No penalty/interest
CT	Cigarette Tax	Section 16-11-101 Rules 42.31	Eighteen cents per package of twenty or twenty two ½ cents per pack of twenty-five.	This tax applies to cigarettes brought into and sold in Montana. Tax is accounted for through Pitney Bowes Cigarette Tax Meters, and hand applied decals.	Meter units are paid for on date of purchase or if bonding requirements are met, within 30 days of purchase. Along with meter unit machine the heat-applied machine can be used.	$5 per day or 5% of tax whichever is greater. Penalty is assessed after assessment becomes final.

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
CL	Cigarette Wholesaler and Retailer Licenses	Section 16-11-120 See Cigarette Tax	$5 per retail license, $50 per subjobber, $50 per wholesaler license, $5 for 9 or less vending machines, $50 for 10 or more vending machines.	License is regulatory in nature for the purpose of protecting cigarette tax revenue.	Licenses are issued on a fiscal year basis from July 1 to June 30. Application must be made before July 1.	
CC	Consumer Counsel Fee	Section 69-1-223 No Rules	Fee rate set annually for succeeding fiscal year by Business Tax Section to cover appropriation to the office of the consumer counsel. Fee rate is currently .03% effective 10-1-93. Municipalities pay the lessor of .06% or the rate charged other entities whichever is less.	This fee applies to the gross operating revenue from all intrastate activities regulated by the Public Service Commission.	Due quarterly within thirty (30) days after the end of each calendar quarter.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.
CG	Contractors Gross Receipts Fee	Section 15-50-205 Rules 42.31.2101	One percent of gross amount of all public contracts greater than $5,000.	Fee applies to prime contractors and all layers of sub contractors.	Within thirty days after fee has been withheld or payment received.	10% late pay penalty. No interest.

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
DD	Dangerous Drug Tax	Section 15-25-101 Section 15-25-111 Rules 42.34.101	The tax rate will vary and is determined by the kind of drugs in their possession at time of arrest.	There is a tax on the possession and storage of dangerous drug. Each person possessing or storing dangerous drugs is liable for this tax.	The tax is due immediately after receipt of notice of assessment.	5% administrative fee; 10% penalty; 12% interest from due date.
NE	Emergency Telephone Fee (9-1-1)	Section 10-4-201 Rules 42.31.401	25 cents a month per access line on each subscriber.	This fee applies to each access line of each subscriber to telephone service. Indians living on the reservation and not receiving the 9-1-1 service are exempt as are coin operated telephones.	Due on or before the last day of the month following the end of each calendar quarter	10% delinquency penalty; 10% deficiency assessment penalty 1% interest per month Right to a waiver Credit for overpayment 5 year statute of limitations

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Escheated Estates	Section 72-14-102	No tax or license required.	Whenever the title to any property, either real or personal or mixed, fails for any reasons, including want of heirs or next of kin, such title vests in the State of Montana immediately upon the death of the owner without an inquest or other similar proceeding and there is not presumption that such owner died leaving heirs or next of kin. Funds are held in trust in an agency fund for a period of five (5) years prior to deposit in the public school nonexpendable trust fund.	At the final settlement of the estate, if there be no heirs or other claimants.	No penalty/interest
	Estimated Tax	Section 15-30-241 Section 15-30-242	The tax is estimated as the amount of tax as prescribed under 15-30-103. 39-71-2103	This tax applies to individuals (except farmers, ranchers or stockmen) if expected tax liability is in excess of $500 after deductions for withholdings and credits.	Quarterly on April 15, June 15, September 15 and January 15 of the following year.	10% underpayment penalty assessed if estimated and withholding is underpaid.

INCOME TAX DIVISION TAX CALENDAR

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Individual Income Tax	Section 15-30-101 Section 15-30-201 Rules 42.15 & 42.16	Based upon the taxable income after making allowance for exemptions and deductions as provided by law. The tax table ranges from 2% to 11%. (15-30-103)	This law is regulatory in nature and insures payment of tax on income. Montana residents are taxed on income from all sources. Non-residents and part year residents are taxed on income from Montana sources.	On or before 15th of the fourth month following the close of the taxpayers fiscal year, or April 15 if taxpayer is on a calendar year basis. A 6 month extension may be granted if it is requested before the due date of the return and is accompanied by payment of 100% of the previous year's tax liability or 90% of the current year's tax liability.	5% late file, minimum $5; 10% late pay-minimum $10; 5% deficiency-minimum $2; 9% per annum or 3/4% per month interest

9 December 1994

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Inheritance Tax	Section 72-16-321 thru 72-16-322	Primary rate of taxation is 2% to 8% of the clear market value of such inheritance under $25,00; $25,000 to $50,000, two times the primary rate. $50,000 to $100,000, three times the primary rate. $100,000 and up, four times the primary rate. Certain exemptions, depending on the relationship.	This tax is paid by the recipient (individual or corporation) of any decedent's property or interest within the state. This tax also applies to nonresidents provided the transferred property is in Montana.	If the tax is paid within eighteen (18) months of the decent's death, a discount of five percent (5%) is allowable.	10% interest penalty from date of death.
	Minimum Cigarette Prices	Section 16-10-102 See Cigarette Tax	No tax or license required.	This chapter is regulatory in nature and prohibits unfair business practices. The chapter is designed to protect cigarette tax revenue. Minimum prices are computed by statutory formula.	Not applicable.	Court ordered.

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
NH	Payments in Lieu of Taxes	Section 17-3-301 No Rules	Varies according to the mill levy set each year for state purposes.	Payments made by government projects which are exempt from property taxes. Payments represent an estimated cost to the state for performing services for the benefit of the project.	According to agreement with the Federal Government.	No penalty/interest
	Nursing Facilities Bed Fee	Section 15-60-101	$2.00/ bed day in FY 93; $2.80/ bed day in FY 94. Exemptions: Facilities licensed to provide intermediate developmental disability care and facilities reimbursed as Institutions for mental disease under the Medicaid Program.	The fee is based on the bed days.	The last day of the month following the close of the quarter.	10% delinquent penalty; 10% deficiency penalty; 1% interest per month.

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Old Fund Liability Tax	Section 39-71-2500 Section 15-30-201 through Section 15-30-331	.2% (.002) is withheld from employees gross wages. Employers pay .5% (.005) of gross wages. Self-employed persons pay .1% (.001) of self-employment income, parters in partnerships, shareholders in S-Corps, managers & members of L.L.C. in 1993. .2% (.002) in 1994 and after.	The tax applies to all compensation earned in Montana, with some exceptions.	The last day of the month following the close of the quarter.	5% Late file minimum $5; 10% late pay minimum $5.00; 9% per annum interest. HABITUAL 25% or minimum $25; 12% interest. W2-$5 per document minimum $50 penalty.

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
PT	Public Service Commission Fee	Section 69-1-401 Section 69-1-402 No Rules	Fee rate set annually for succeeding fiscal year by Business Tax Section to cover appropriation to the Department of Public Service Regulation. The current rate is .28%. Municipalities pay the lessor of .06% or the rate paid by other entities, whichever is less.	This fee applies to the gross operating revenue from all intrastate activities regulated by the Public Service Commission. (Excludes motorcarriers.)	Due quarterly within thirty (30) days after the end of each calendar quarter.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.
RE	Rural Electric and Telephone Cooperative License Fee	Section 35-18-503 No Rules	$10 for each one hundred (100) persons, or fractions thereof, to whom electricity or telephone service is supplied.	This fee applies to cooperatives and foreign corporations supplying electricity or telephone service to customers in Montana.	Due annually on or before July 1.	10% delinquency penalty; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.

INCOME TAX DIVISION TAX CALENDAR

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
TC	Telephone Company License Tax	Section 15-53-101 42.31.501	1.8% of gross revenue in excess of $250 per quarter.	This tax applies to the access & transport, for hire of two-way communications from point of access to point of termination both of which are within Montana.	Due quarterly within sixty (60) days after the end of each calendar quarter.	10% late pay; 10% deficiency assessment penalty; 1% interest per month; Right to a waiver; Credit for overpayment; 5 year statute of limitations.
TP	Tobacco Products Tax	Section 16-11-202 See Cigarette Tax	12 1/2% of price of tobacco products to wholesaler.	This tax applies to all tobacco products, except cigarettes, brought into Montana. Exemption may be claimed for tobacco products shipped from Montana and destined for retail sale and consumption outside the State of Montana.	Due monthly within ten (10) days after the end of each month.	Court ordered civil penalty

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
	Unclaimed Property	Section 70-9-101 through 70-9-502	No tax or license required.	Property held or owing by a banking, financial organization business association, life insurance corporation, utility, fiduciary, court, public officer or agency that has remained unclaimed by the owner for more than five (5) years is presumed abandoned and is remitted to the state of Montana. Funds received are to be deposited for credit to the public school nonexpendable trust fund.	The report shall be filed before November 1 every year as of June 30 next preceding, but the reports of life insurance corporation, banking and financial organizations, and cooperatives shall be filed before May 1 of each year as of December 31 next preceding.	Willfully fails to submit report $50.00 for each day report is withheld but not more than $1,000. Willfully fails to pay not less than $100.00 or more than $1,000 discretion of court. Failure to pay intent at the rate of 1% a month from due date of property.

AR	TAX	M.C.A. REFERENCE	LICENSE FEE	DESCRIPTION	DUE DATE	PENALTY/INTEREST
WH	Withholding Tax	Section 15-30-201 Through Section 15-30-331 Rules 42.17	The amount of tax withheld from an employee's wages is based on the wages paid, the number of allowances claimed, and the length of the payroll period. Tax tables are furnished to all registered employers.	Individuals, residents and non residents who earn wages by performing services in Montana are liable for Montana Income Tax. Withholding Tax is a pay as you go tax. Every employer who pays wages earned in Montana must withhold Montana Tax, and remit such tax to the state.	Quarterly payments accompany form MW-5 are due the last day of the month following the end of each quarter. Annual reconciliation reports, (MW-10) together with every employees' W-2 statements showing employees' withholding are due by the February 28th of the following year.	5% Late file minimum \$5; 10% late pay minimum \$5.00; 9% per annum interest. HABITUAL 25% or minimum \$25; 12% interest. W2-\$5 per document minimum, \$50 penalty.

State of Montana
Department of Revenue
Income Tax Division
Business Tax Bureau

Taxes Administered
and
Amounts Collected

Five Year Review
(1990 - 1994)

TAX	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
ACCOMODATIONS TAX					
Gross Collections	5,494,651.05	6,121,342.82	7,044,435.81	7,866,275.00	8,469,494.00
A/R Collections	127,127.07	114,653.45	113,736.77	156,123.00	90,034.00
Assessements	175,435.42	174,213.97	186,928.86	172,661.00	209,426.00
Refunds	(5,886.94)	(6,816.69)	(459.03)	(8,264.00)	(6,970.00)
Accounts	1,125	1,130	1,233	1,283	1,363
CAMPER DECAL FEE					
Gross Collections	5,754.50	4,847.75	***Repealed by***		
A/R Collections	0.00	0.00	***Legislature***		
Assessements	0.00	0.00	***1992***		
Refunds	0.00	0.00			
Accounts	56	56			
CIGARETTE LICENSE					
Gross Collections	16,395.00	15,135.00	15,405.00	12,081.00	14,145.00
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	(300.00)	(90.00)	(310.00)	(465.00)	(640.00)
Licenses	2,128	2,082	2,030	1,714	2,174
CIGARETTE TAX					
Gross Collections	11,566,747.95	11,772,694.74	12,277,113.94	12,909,377.00	13,211,219.00
A/R Collections	94,183.62	3,213.42	1,115.40	3,300.00	0.00
Assessements	115,949.04	44,401.90	4,258.20	157.00	0.00
Refunds	(216,753.19)	(264,895.59)	(218,693.98)	(238,865.00)	(547,390.00)
Accounts	23	22	24	29	29
CONSUMER COUNSEL					
Gross Collections	698,743.32	752,954.61	844,922.46	529,887.00	360,422.00
A/R Collections	2,849.49	1,925.75	5,567.97	31,265.00	13,677.00
Assessements	26,972.25	1,086.59	10,063.15	29,878.00	7,415.00
Refunds	(5,409.27)	(1,383.71)	(1,962.02)	(2,365.00)	(1,525.00)
Gross Op. Rev:	783,253,274.98	722,703,964.00	844,364.53	979,171,056.00	993,520,822.00
Accounts	702	702	1,125	1,172	1,183
CONTRACTORS 1%					
Gross Collections	2,823,586.13	2,825,548.61	3,186,007.71	3,120,745.00	3,136,003.00
A/R Collections	19,889.42	31,726.76	19,155.83	129,661.00	91,873.00
Assessements	24,511.77	48,637.61	198,891.21	370,560.00	272,111.00
Refunds & credits	(1,705,128.26)	(1,524,643.30)	(2,032,092.80)	(1,675,205.00)	(2,171,809.00)
Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts	2,000 Contractors 30,000 Accounts

TAX	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
DRUG TAX					
Gross Collections	14,007.98	13,453.10	9,276.56	4,842.00	1,163.00
A/R Collections	14,007.98	13,453.10	9,276.56	4,842.00	1,163.00
Assessements	1,078,350.03	1,584,241.65	615,938.84	376,857.00	9,160.00
Refunds	(44.00)	(17,400.76)	0.00	(34.00)	(14,682.00)
Accounts	346	385	274	101	75
EMERGENCY TELE					
Gross Collections	1,085,524.36	1,113,473.96	1,143,504.09	1,189,292.00	1,237,605.00
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	(146,749.37)	0.00	0.00
Access Lines:	369,771	379,391	1,160,500	1,208,322	1,294,881
Accounts	19	19	19	19	21
FREIGHT LINES					
Gross Collections	1,166,311.79	1,297,793.52	***Repealed by Legislature 1992***		
A/R Collections	0.00	3,622.87			
Assessements	0.00	3,064.00			
Refunds	0.00	0.00			
Amount Earned:	21,261,368.14	23,539,896.00			
Accounts	14	20			
HANDICAPPED TELEPHONE					
Gross Collections	1,085,524.36	445,520.77	460,238.98	470,367.00	492,087.00
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00	0.00
Access Lines:	369,771	379,931	1,176,185	1,210,430	1,296,893
Accounts	19	19	19	19	21
NATIONAL HOUSING					
Gross Collections	153.11	0.00	3,469.41	0.00	0.00
A/R Collections	0.00	0.00	0.00	0.00	0.00
Assessements	0.00	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	0.00	0.00	0.00
Accounts	2	0	1	0	0

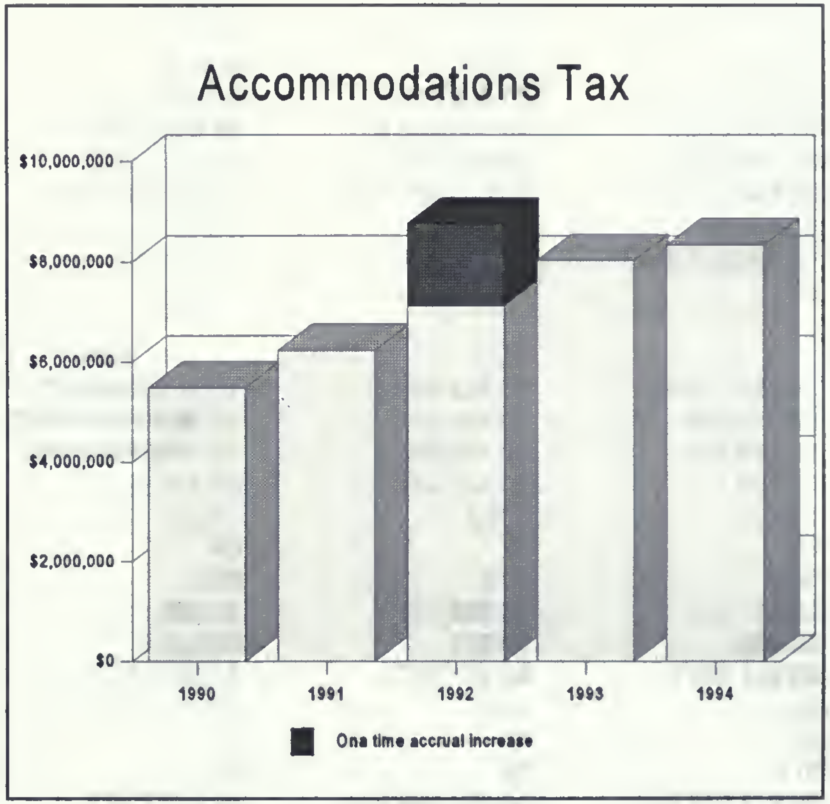
TAX	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
NURSING FACILITY					
Gross Collections	0.00	0.00	1,188,028.47	2,801,129.00	4,369,261.00
A/R Collections	0.00	0.00	4,132.17	35,873.00	16,713.00
Assessements	0.00	0.00	9,963.81	39,296.00	42,592.00
Refunds	0.00	0.00	(596.00)	(4,615.00)	(42,991.00)
Accounts	0	0	96	96	99
PSC TAX					
Gross Collections	1,571,953.37	1,207,564.51	1,934,545.54	2,034,297.00	2,309,828.00
A/R Collections	321.53	473.22	427.87	20,403.00	29,218.00
Assessements	11,041.94	492.61	14,417.10	51,177.00	3,971.00
Refunds	(358.88)	(677.38)	(331.25)	(4,092.00)	(3,253.00)
Gross Op. Rev:	897,835,462.78	729,367,623.00	2,389,343.35	835,983,033.00	908,829,069.00
Accounts	148	142	155	162	180
PAYROLL TAX					
Gross Collections		**Tax Transfered to Revenue July 1 1992**	11,855,347.74	15,006,429.00	36,071,684.00
A/R Collections			224,226.79	279,885.00	468,930.00
Assessements			461,851.07	468,037.00	593,644.00
Refunds			(22,715.38)	(44,584.00)	(71,851.00)
Accounts			8,057	4,607	36,000
RECREATION VEHICLE					
Gross Collections		**New tax July 1 1992**	81,110.50	169,381.00	162,177.00
A/R Collections			0.00	0.00	0.00
Assessements			0.00	0.00	0.00
Refunds			(10.50)	0.00	0.00
Accounts			56	56	56
RURAL ELECTRIC					
Gross Collections	12,127.00	12,980.00	12,624.10	7,575.00	18,217.00
A/R Collections	0.00	0.00	0.00	0.00	222.00
Assessements	0.00	702.00	0.00	0.00	222.00
Refunds	0.00	0.00	(260.00)	0.00	0.00
Taxable Amount:	111,773	119,188	116,363	110,598	137,415
Accounts	40	43	21	42	42

TAX	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994
STORE LICENSE					
Gross Collections	269,433.05	317,319.23	***Repealed by***		
A/R Collections	959.50	7,280.85	***Legislature***		
Assessements	2,275.00	12,415.05	***1992***		
Refunds	(2,745.45)	(3,268.20)			
Retail Lic.	11,063	12,347			
Wholesale Lic.	754	1,107			
TELEPHONE TAX					
Gross Collections	3,775,992.10	3,877,452.19	3,972,327.50	3,945,096.00	6,910,070.00
A/R Collections	61,100.00	0.00	1,751.44	5,243.00	3,484,800.00
Assessements	4,437,013.63	0.00	276,721.80	2,200,063.00	1,192,450.00
Refunds	(57,478.76)	(4,311.47)	(2,586.07)	(457.00)	0.00
Gross Op. Rev:	215,141,632.00	224,779,837.10	3,972,327.50	464,994,823.00	546,073,775.00
Accounts	21	35	54	88	115
TOBACCO PRODUCTS					
Gross Collections	893,143.24	1,006,908.62	1,154,586.79	1,282,486.00	1,368,715.00
A/R Collections	59.57	2,000.00	3,378.29	828.00	596.00
Assessements	59.57	10,400.65	685.25	828.00	0.00
Refunds	(32.34)	0.00	0.00	0.00	0.00
Accounts	37	37	42	42	48
TRAMWAY TAX					
Gross Collections	28,755.21	34,164.29	***Transfered to***		
A/R Collections	141.49	0.00	***Department of***		
Assessements	1,415.03	0.00	***Commerce***		
Refunds	0.00	0.00	***1992***		
Gross Op. Rev:	11,421,926.33	8,716,058.00			
Accounts	15	15			
WITHHOLDING TAX					
Gross Collections	199,184,586.52	216,314,792.60	229,512,154.32	250,778,975.00	267,830,814.00
A/R Collections	2,149,508.72	2,056,272.95	2,043,101.42	1,872,489.00	1,642,057.00
Assessements	3,333,664.88	3,032,610.29	2,533,683.59	4,258,203.00	2,712,780.00
Refunds	(231,714.41)	(655,579.87)	(114,436.19)	(253,602.00)	(465,812.00)
Accounts	24,514	23,374	27,138	28,417	36,000

Accommodations Tax

A tax is imposed on users of overnight lodging facilities. This tax is 4% of the accommodation charge and is collected by the owner or operator of the facility. The tax went into effect July 1, 1987.

Proceeds from the tax are deposited in a state special revenue fund to the credit of the Department of Revenue. After the department administrative costs are paid and the amount of tax paid by state agencies for in-state lodging is deposited in the general fund, the balance is distributed: 1% to the Montana historical society, 2.5% to the university system for the Montana travel research program. Effective fiscal year 1994 6.5% goes to the Department of Fish, Wildlife and Parks for maintenance of facilities. Of the balance, 75% goes to the Department of Commerce for its direct use and the rest goes to various regional nonprofit tourism corporations unless that particular city-county area collects in excess of $140,000 in proceeds annually. In this instance, half of the amount available for distribution to the nonprofit tourism corporation would instead go to a nonprofit convention and visitors bureau in that city-county region. (MCA 15-65-111.)



FY 90	FY 91	FY 92*	FY 93	FY 94
$5,488,764	$6,237,422	$8,762,356	$8,029,960	$8,348,996

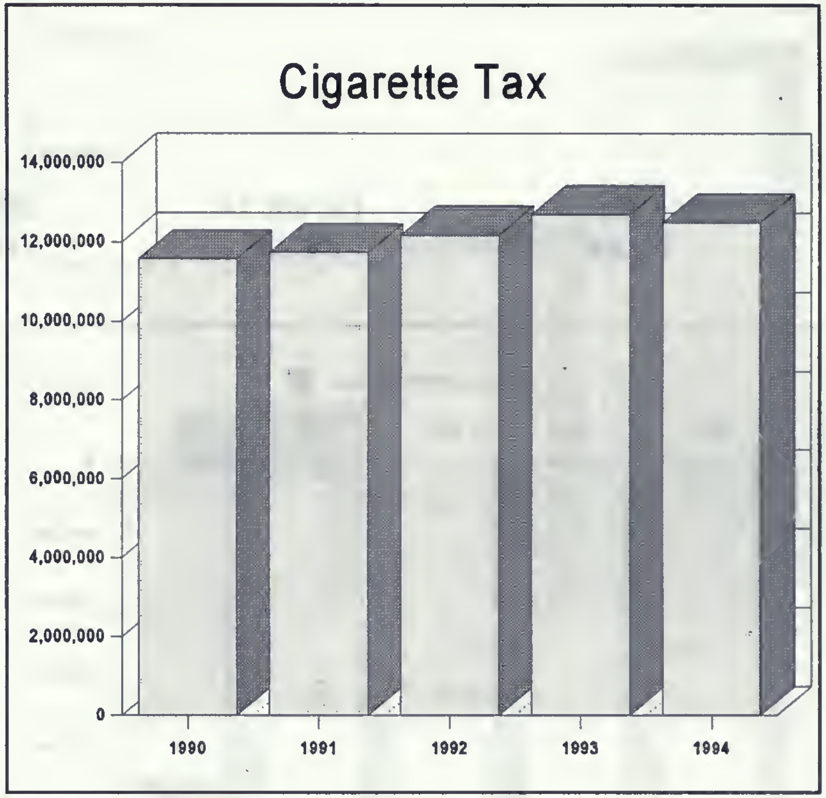
** FY 92 total includes $1,643,948 in accruals, see page 45.*

Cigarette Tax

Cigarette wholesalers in the state pre-collect a tax of 18¢ per package of 20 cigarettes. The tax is then included in the retail price of the cigarettes. A tax insignia must be affixed to each package by the wholesaler who is entitled to purchase insignias at face value less the following percentages which are allowed to defray costs of affixing insignias and pre-collecting the tax on behalf of the State of Montana:

1) 6% for up to 2,580 cartons purchased in any calendar month;
2) 4% for any portion of the next 2,580 cartons purchased in any calendar month; and
3) 3% for purchases in excess of 5,160 cartons in any calendar month.

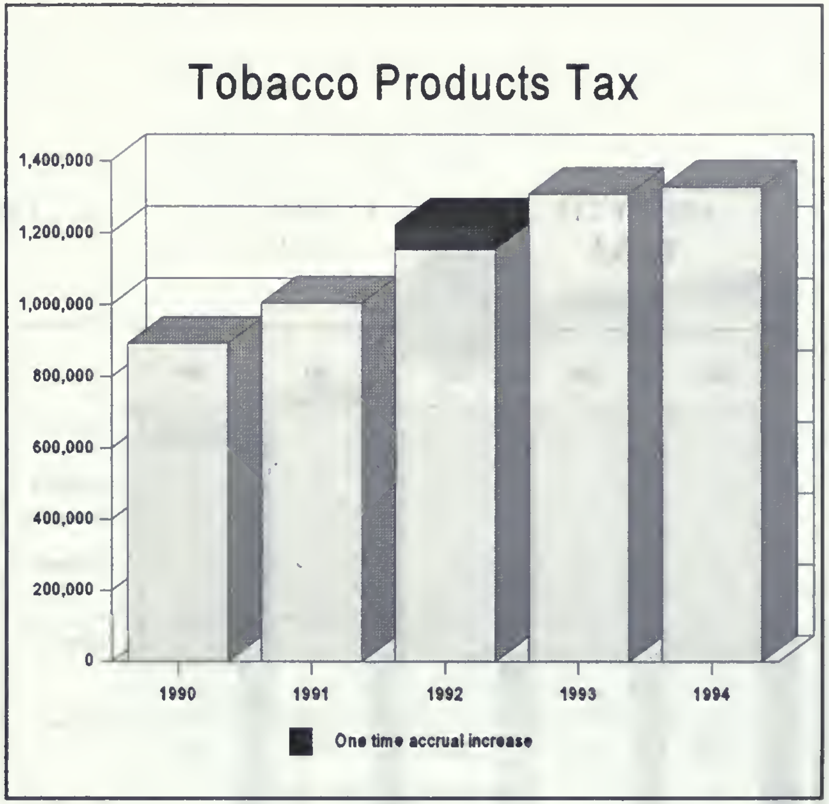
Beginning August 15, 1993 11.11% of the collections go to state veterans' nursing homes, the remainder goes to the long-range building program: 79.75% to debt service and 20.25% to capital projects. (MCA 16-11-119;17-5-408.)



FY 90	FY 91	FY 92	FY 93	FY 94
$11,567,081	$11,733,190	$12,172,863	$12,698,194	$12,495,504

Tobacco Products Tax

All tobacco products, excluding cigarettes, are subject to a tax of 12 1/2% of their wholesale price. The tax is collected from the wholesaler less a 5% defrayment for collection and administrative expenses. Collections are deposited in the long-range building program debt service fund. (MCA 16-11-202.)

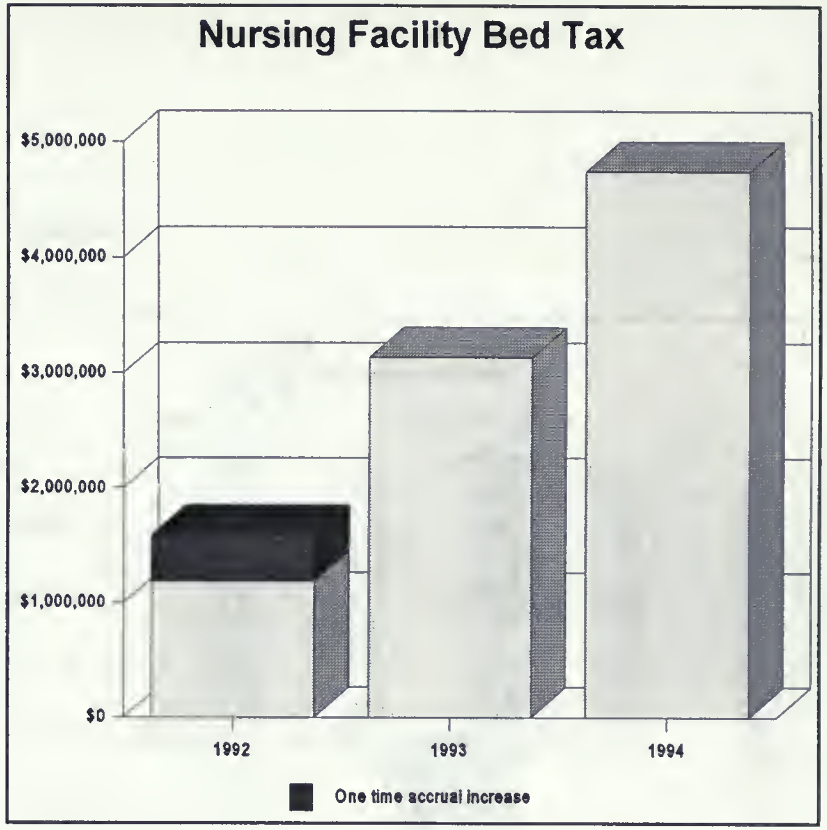


FY 90	FY 91	FY 92*	FY 93	FY 94
$893,111	$1,006,909	$1,224,587	$1,308,951	$1,328,908

** FY 92 total includes $70,000 in accruals, see page 45.*

Nursing Facility Bed Tax

Nursing facilities in Montana pay a utilization fee of $2 for each occupied bed day for FY 93 and FY 94. (The fee increases to $2.80 in FY 95.) Bed days paid directly by a friend, relative or patient are exempt for FY 93. Effective FY 94 all bed days are subject to the tax. FY 93 revenue must be deposited in the general fund. Revenues for FY 94 and after must be deposited in the nursing facility special revenue account. (MCA 15-60-102.)



FY 92*	FY 93	FY 94
$1,587,432	$3,131,331	$4,739,833

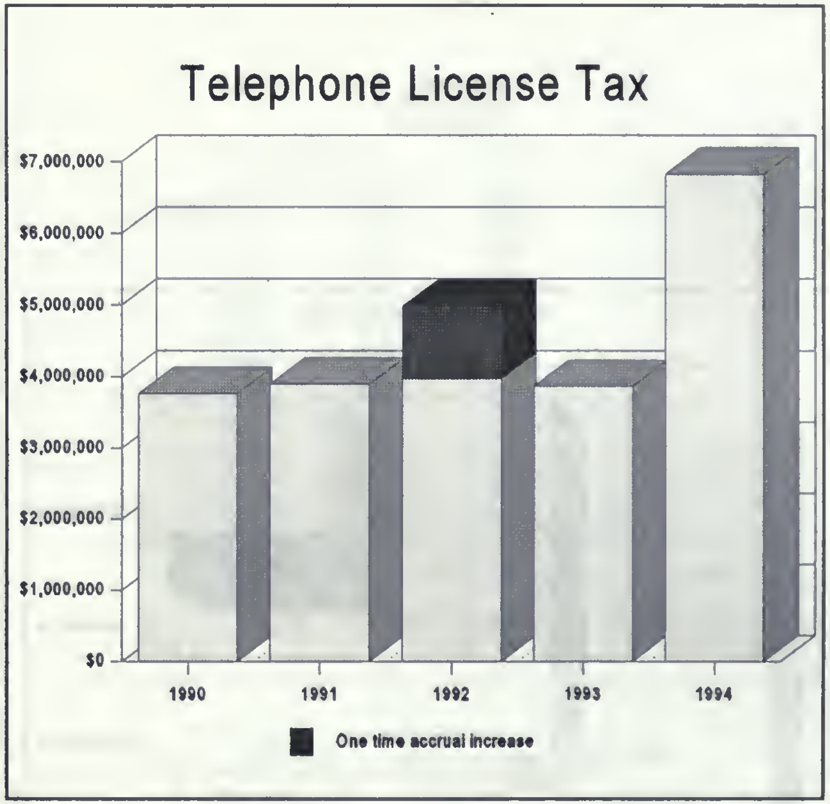
* *FY 92 total includes $400,000 in accruals, see page 45.*

Telephone Company License Tax

All **gross revenue**, in excess of $250 per quarter, derived from any telephone business in Montana is subject to a license tax of 1.8%. Gross revenue does not include carrier access revenue; revenue from certain sales of telephone services; revenue from equipment sales, leases, repairs, installations and maintenance; and customer access line charges assessed under Federal Communications Commission orders or rules. License taxes collected are deposited in the general fund. (MCA 15-53-101.)

	Number of Accounts	Gross Revenue	Total tax paid (including penalty and interest)
FY 90	21	$215,141,632	$3,760,038
FY 91	35	$224,779,837	$3,899,657
FY 92*	55	$272,842,706	$4,983,796
FY 93	88	$241,762,217	$3,865,712
FY 94**	112	$221,647,590	$6,835,201

** FY 92 total includes $1,019,000 in accruals, see page 45.*
*** FY 94 total includes a one-time increase due to substantial audit collections.*



Natural

Resource

Taxes

Montana Taxation of Natural Resources

Historically, Montana has relied on its store of natural resource wealth as a primary source of tax revenue. So significant is this source of revenue, that it has been likened to the "third leg" of Montana's tax stool, supplementing the individual income and property tax as the three major sources of revenue in the state. However, it should be noted that FY1994 revenues from natural resource taxes have now dropped to less than one half of FY1985 collections.

This section discusses the characteristics of each of the different natural resource taxes in Montana. Generally, natural resource taxes may be categorized as either severance/license taxes, or some form of *ad valorem* (property) taxes. Details of the following taxes are provided in subsequent subsections.

State Severance and License Taxes	*Fiscal 1994 Collections*
Coal Severance Tax	*$39,624,883*
Oil Severance Tax	*11,125,518*
Natural Gas Severance Tax	*1,163,071*
Oil and Gas Producer's Privilege and License Tax	*578,997*
Metalliferous Mines License Tax	*6,229,683*
Micaceous Mines License Tax	*0*
Resource Indemnity and Groundwater Assessment Tax (RIGWAT)	*2,902,242*
Cement and Gypsum Taxes and Licenses	*107,716*
Electrical Energy Producer's License Tax	*3,728,365*
Total State Collections	*$65,460,475*

Local Government Ad Valorem and Severance Taxes	
Coal Gross Proceeds Tax	*$13,466,045*
Net Proceeds Tax - Oil	*2,905,268*
Net Proceeds Tax - Gas	*3,504,671*
Local Government Severance Tax - Oil	*21,410,839*
Local Government Severance Tax - Gas	*6,712,419*
Metal Mines Gross Proceeds Tax	*3,518,004*
Miscellaneous Mines Net Proceeds Tax	*2,007,979*
Total Local Government Collections	*$51,517,246*

Information provided includes tax rates, filing requirements, disposition of the tax, production

Coal Severance Tax

Tax Rates: Coal severance tax rates vary with heating quality and type of mining as follows:

Heating quality (BTU per pound)	Surface Mining	Underground Mining	Extended Depth Auger Mining
Under 7,000	10% of value	3% of value	7.5% of value*
7,000 and over	15% of value	4% of value	7.5% of value*

* The tax rate reduction for extended depth auger method of mining terminates June 30, 1997.

Value of Coal: The value of coal to which the severance tax is applied is the "contract sales price". The contract sales price is the price of coal extracted and prepared for shipment f.o.b. mine, less that amount required to pay production taxes. Production taxes include the state severance tax, resource indemnity and groundwater assessment tax (RIGWAT), local gross proceeds taxes, federal reclamation taxes, and the federal Black Lung Tax. The contract sales price also includes all royalties paid on production; however, with respect to royalties paid to federal and state governments, or Indian tribes, the contract sales price includes only 15 cents per ton.

Filing Requirements: Coal mine operators are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 30 days following the close of each calendar quarter).

Revenue Collections: Revenue collections from the coal severance tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 67,870,544
1991	50,457,839
1992	43,434,111
1993	38,439,386
1994	39,624,883

Distribution of Coal Tax: The distribution of coal severance taxes has been changed frequently by the Montana Legislature. The distribution of the coal severance tax for fiscal year 1994 is as follows:

Distribution of Coal Severance Tax
(millions)

FY 94 % of Distribution	Fund Impacted	Revenue FY 94
15.39%	General	$ 6.339
.19	Conservation Dist.	.078
.38	County Planning	.157
6.65	Local Impact	2.739
.76	Agriculture Act	.313
11.40	School Equalization	4.695
.38	State Library	.157
.47	Renewable Resource	.196
0.00	Parks Trust	.000
50.00	Permanent Trust Fund	20.594
.47	Water Development	.196
12.00	Highway Trust	4.943
1.27	FWP Acq. Sites & Areas	.521
.63	Arts Council Trust	.261

The balance in the Coal Permanent Trust Fund as of June 30, 1994 was $532.7 million, and the interest income from the trust for fiscal year 1994 was $46.3 million. The interest income is distributed 15% to state equalization aid and 85% to the state general fund.

Production Incentives: Persons producing less than 50,000 tons of coal in a year are exempt from severance tax. Persons producing in excess of 50,000 tons per year are exempt from severance tax on the first 20,000 tons produced.

Oil Severance Tax

Tax Rates:

Regular Production:	5.0% of taxable gross value
Secondary Production:	3.0% of taxable incremental production
Tertiary Production:	2.0%of taxable incremental production

Value of Oil, Exemptions: Total gross value is computed as the product of the total number of barrels produced each month and the average well mouth value per barrel. Producers are allowed to deduct any oil produced that is used in the operation of the well.

Royalties received by an Indian tribe with respect to on-reservation oil production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties are exempt from taxation.

Filing Requirements: Oil producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Revenue Collections: Revenue collections from the oil severance tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 14,510,149
1991	18,885,901
1992	16,171,115
1993	17,037,621
1994	11,125,518

Distribution of Oil Severance Tax: State oil severance taxes are distributed 100% to the state general fund.

Production Incentives: Incremental production from secondary and tertiary recovery projects are taxed at reduced rates as indicated above. These reduced rates apply when the average price for crude oil is less than $30 per barrel.

Natural Gas Severance Tax

Tax Rates:

Regular Production: 2.65% of total gross value
Stripper Production:
- first 30 MCF: Exempt
- over 30 MCF: 1.59% of total gross value

To qualify for stripper designation the lease or unit must produce 60 MCFs or less per day.

Value of Gas, Exemptions: Total gross value is computed as the product of the total number of cubic feet produced each month and the average well mouth value per cubic foot. Producers are allowed to deduct any natural gas produced that is used in the operation of the well.

Royalties received by an Indian tribe with respect to on-reservation gas production pursuant to a lease entered into under the Indian Mineral Leasing Act of 1938, and all governmental royalties are exempt from taxation.

Filing Requirements: Gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Revenue Collections: Revenue collections from the natural gas severance tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$1,057,277
1991	1,277,368
1992	1,112,776
1993	1,638,965
1994	1,163,071

Distribution of Gas Sev. Tax: State natural gas severance taxes are distributed 100% to the state general fund.

Production Incentives: Production from natural gas stripper wells is taxed at reduced rates. (See the section on tax rates, above.)

Oil and Gas Producer's Privilege and License Tax

Tax Rate: The tax rate is not to exceed 0.20% of the market value of all oil and natural gas produced, stored, or marketed within the state. Current rate is set at 0.20 percent.

Filing Requirements: Oil and gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due at the time of filing (within 60 days following the close of each calendar quarter).

Revenue Collections:	Revenue collections from the oil and gas producer's privilege and license tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$877,825
1991	978,223
1992	904,383
1993	889,909
1994	578,997

Distribution of Oil/Gas Prod.Priv. and Lic. Tax:	All money collected from this tax is distributed in the state special revenue fund, and is used to pay expenses of the Board of Oil and Gas Conservation.
Production Incentives:	Not Applicable.

Metalliferous Mines License Tax

Tax Rates: Concentrate shipped to a smelter, mill, or reduction work is taxed at the following rates:

Gross Value of Product	Tax Rate
first $250,000	0%
over $250,000	1.81%

Gold, silver, or any platinum-group metal that is dore, bullion, or matte and that is shipped to a refinery is taxed at the following rates:

Gross Value of Product	Tax Rate
first $250,000	0 %
over $250,000	1.6 %

Gross Value of Product: The value to which the tax rate is applied is the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of

metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest, and penalty metal, impurity and moisture deductions as specified by contract between the mining company and the receiving metal trader, smelter, roaster, or refinery. Deductions are not allowed either directly or indirectly as an offset to payments for the cost of transportation from the mine or mill to the smelter, roaster, or refinery. Demurrage, storage, interest, or any other miscellaneous costs related to transporting the mineral product are considered transportation and are not deductible.

Filing Requirements: Persons extracting metals are required to file reports containing information sufficient to calculate the tax due. Reports and payment of metal mines tax are due on or before March 31 of each year for the products produced in the preceding calendar year.

Revenue Collections: Revenue collections from metalliferous mines license tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$6,306,356
1991	7,739,030
1992	6,595,467
1993	6,521,076
1994	6,229,683

Distribution of Metal Mines Tax: Revenue collections from metalliferous mines tax are distributed as follows:

State General Fund	58.0 %
Hard-Rock Mining Impact Trust	1.5 %
Resource Indemnity Trust Fund	15.5 %
County where mine is located, or where economic impact is identified	25.0 %

Funds allocated to the counties must be distributed as follows:

Not less than 40% to the county hard-rock mine trust reserve account. Money not allocated to the hard-rock mine trust is distributed one-third to planning or economic development activities; one-third to elementary

school districts affected by the development or operation of the mine; and one-third to high school districts affected by the development or operation of the mine.

Production Incentives: Not Applicable.

Micaceous Mines License Tax

Micaceous minerals are those that are generally classified as complex silicates, and include such minerals as vermiculite, perlite, kerrite, maconite, bentonite, silica, bauxite, etc.

Tax Rate: $0.05 per ton of concentrates mined, extracted, or produced.

Filing Requirements: Operators of micaceous mineral mines are required to file quarterly statements showing the number of tons of micaceous minerals mined. Quarterly returns, along with the accompanying tax payment, are due within 30 days following the end of each calendar quarter.

Revenue Collections: Revenue collections from the micaceous mines license tax for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$4,067
1991	2,456
1992	0
1993	0
1994	0

Distribution of Micaceous Mines Tax: All proceeds from the micaceous mines license tax are deposited in the state general fund.

Production Incentives: Not Applicable.

<u>*Resource Indemnity and Groundwater Assessment Tax (RIGWAT)*</u>

Note: The 1991 Legislature directed that the *Resource Indemnity Trust Tax (RITT)* be officially changed to the *Resource Indemnity and Ground Water Assessment Tax (RIGWAT)* (SB94).

Tax Rates:

<u>Talc</u>

$25, or 4% of gross value, whichever is greater;

<u>Coal</u>

$25, or 0.4% of gross value, whichever is greater;

<u>Vermiculite</u>

$25, or 2% of gross value, whichever is greater;

<u>Limestone for quicklime</u>

$25, or 10% of gross value, whichever is greater;

<u>All Other Minerals</u>

$25, or 0.5% of gross value (if in excess of $5,000);

Gross Value of Product:

<u>Talc</u>
$4.25 per ton, adjusted annually for inflation (base year 1989, current value $5.02 per ton).

<u>Coal</u>

Contract sales price (see section above on Coal Severance Tax);

Vermiculite

$27 per ton, adjusted annually for inflation (base year 1991);

Limestone for quicklime

$.34 per ton, adjusted annually for inflation (base year 1993);

All Other Minerals

Market value.

Filing Requirements: All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers are required to file on or before March 31. All other producers are required to file on or before the 60th day following the end of the calendar year. The tax due is required to be paid at the time of filing the statement of gross yield.

Exemptions: (1) Persons who have paid the metal mines license tax are exempt from the RIGWAT.

(2) Oil and gas royalties received by an Indian tribe, by the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, and by a county or municipality are exempt from the RIGWAT.

Revenue Collections: Revenue collections from the RIGWAT for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 5,071,681
1991*	4,522,584
1992*	5,154,732
1993*	4,549,574
1994*	3,842,051

*Includes allocation from Metal Mines License Tax.

Total deposits to the RIGWAT account for FY94, including net transfers of metalliferous mines tax, can be categorized by mineral type as follows:

Mineral	Revenue Collections
Coal	$ 1,189,713
Oil	1,269,939
Natural Gas	451,054
Metals	837,336
Other	98,009
Total	$ 3,842,051

Distribution of RIGWAT: The resource indemnity trust fund was created to indemnify the citizens of Montana for the loss of long-term value resulting from the depletion of natural resource bases, and for environmental damage caused by mineral development. The fund is invested at the discretion of the state board of investments. Once the fund balance has reached $100 million, all earnings and receipts are to be appropriated and expended by the legislature. At the end of fiscal year 1994, the balance in this trust fund was $89.3 million.

Distribution of Tax

For July 1, 1993 through June 30, 1995 the distribution of the tax proceeds are as follows:

14.1% to the ground water assessment account;
15.0% to the renewable resource grant and loan program;
15.0% to the reclamation and development grants account;
55.9% to the nonexpendable trust fund;

After July 1, 1995 the distribution of the tax proceeds are as follows:

14.1% to the ground water assessment account;
10.0% to the renewable resource grant and loan program;
20.0% to the reclamation and development grants account;
45.9% to the nonexpendable trust fund;

Distribution of Interest Income from the Trust

After July 1, 1994, as follows:

$ 175,000	to the environmental contingency account;
$ 50,000	to the oil & gas mitigation;
$ 240,000	to the renewable resource loan & grant program to support operations of the environmental science-water quality instructional program;
$1,025,000	to the renewable resource loan & grant program for grants;
$2,200,000	to the reclamation & development grants account;
$ 250,000	to the water storage state special revenue account;

Remainder:
15.0% to the hazardous waste/CERCLA special revenue account
38.0% to the renewable resource loan & grant program;
5.5% to the environmental quality protection account;
41.5% to the reclamation & development grants account;

After July 1, 1995, as follows:

$ 175,000	to the environmental contingency account;
$ 50,000	to the oil & gas mitigation;
$ 240,000	to the renewable resource loan & grant program to support operations of the environmental science-water quality instructional program;
$2,000,000	to the renewable resource loan & grant program for grants;
$3,000,000	to the reclamation & development grants account;
$ 500,000	to the water storage state special revenue account;

Remainder:

18.0%	to the hazardous waste/CERCLA special revenue account
36.0%	to the renewable resource loan & grant program;
6.0%	to the environmental quality protection account;
40.0%	to the reclamation & development grants account;

Production Incentives: Not Applicable.

Cement and Gypsum Taxes and Licenses

Tax Rates: Producers, manufacturers, and importers:

$0.22 per ton of cement produced, manufactured, or imported.
$0.05 per ton of gypsum produced, manufactured, or imported.

Cement dealers who sell at retail are liable for tax at the above rates on each ton of cement sold for which no tax has previously been paid.

Filing Requirements: Producers, manufacturers, and importers shall file quarterly statements showing the number of tons of cement or gypsum produced, manufactured, or imported. The statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Revenue Collections: Revenue collections from cement and gypsum taxes and licenses for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 131,592
1991	123,038
1992	131,860
1993	136,060
1994	107,716

Distribution of Cement/Gypsum Taxes: All proceeds from cement and gypsum taxes and licenses are deposited in the state general fund.

Production Incentives: Not Applicable.

Electrical Energy Producer's License Tax

Tax Rate: $0.0002 per kilowatt hour produced.

Filing Requirements: Producers of electricity shall file quarterly returns showing the amount of electricity produced except for actual and necessary plant use. The statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Revenue Collections: Revenue collections from the Electrical Energy Producers License Tax from the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 4,100,543
1991	3,906,194
1992	4,937,510
1993	4,232,200
1994	3,728,365

Distribution of Electrical Energy Tax: All proceeds are deposited in the state general fund.

Production Incentives: Not applicable. However, an interest differential credit is allowed utility providers for low-interest loans provided to customers for energy efficiency improvements.

Coal Gross Proceeds Tax

Tax Rates: Legislation passed during the 1989 special session established a flat 5% tax on coal gross proceeds. Formerly, the tax was determined by calculating the taxable value of the coal (45% of gross proceeds) and then applying the mill levies of all applicable taxing jurisdictions.

Value of Coal: The gross proceeds of coal is determined by multiplying the number of tons produced times the contract sales price.

Filing Requirements: On or before March 31st of every year, each person or firm engaged in mining coal must file a statement of gross yield for every mine operated in the preceding year. The producer must pay 50% of the taxes due on or before November 30; the remaining 50% is due on or before May 31 of the following year.

Revenue Collections: The coal gross proceeds tax collections for the last five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 13,760,962
1991	12,467,015
1992	13,148,124
1993	14,021,404
1994	13,466,045

Distribution of Coal Gross Proceeds Tax: The revenue is proportionally distributed to the appropriate taxing jurisdictions in which production occurred based on the total number of mills levied in fiscal year 1990.

Production Incentives: Not Applicable.

Net Proceeds Tax - Oil

Tax Rates: Prior to the 1985 legislative session, oil net proceeds was subject to local mill levies. Legislation passed during the 1985 regular session (SB-390) fixed the tax rate on "new" oil production at a flat rate of **7% of gross value**. This tax applies only to oil wells which began production after June 30, 1985. Production from wells that began producing before June 30, 1985 ("pre-1985 wells") was subject to local mill levies through production year 1988 (FY 90). Beginning, with production year 1989, old production became subject to the local government severance tax, which is explained on page 18. In the November 1993 Special Session of the Legislature some incentive rates were added for secondary and tertiary production, so the rates for taxable oil net proceeds are:

Regular Production:	7.0% of taxable gross value
Secondary Production:	5.0% of taxable incremental production
Tertiary Production:	3.3%of taxable incremental production

Value of Oil: Gross value (sales proceeds) is determined by multiplying the units of production sold from the well times the royalty unit value of production at the well. (Royalty unit value is the contractual price specified in an arm's length transaction.) Producers are allowed to deduct any oil produced that is used in the operation of the well.

Filing Requirements: A separate return containing sales data must be filed for each lease by the operator for each calendar quarter. The returns are due on or before the last day of the month in April, July, October and January for the preceding calendar quarter. Producers are billed for taxes due quarterly by the County Treasurer where production property is located.

Revenue Collections: Oil net proceeds tax collections for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 1,193,847
1991	2,089,843
1992	2,961,292
1993	2,825,569
1994	2,905,268

Distribution of Oil Net Proceeds Tax: The revenue is proportionally distributed among the taxing jurisdictions in which production occurred based on the total number of mills levied in the year preceding the current budget year.

Production Incentives: The first 12 months of production from newly drilled vertical oil wells and the first 18 months of production from horizontally completed wells is exempt. Also, the first 18 months of incremental production from horizontally recompleted wells is exempt.

Incremental secondary and tertiary production are taxed at lower rates than regular production (see above tax rates).

Net Proceeds Tax - Natural Gas

Tax Rates: Prior to the 1985 legislative session, gas net proceeds was subject to local mill levies. Legislation passed during the 1985 regular session (SB-390) fixed the tax rate on "new" gas production at a flat rate of 12% of gross value. This tax applies only to gas wells which began production after June 30, 1985 (post-1985 wells). Production from wells that began producing before June 30, 1985 ("pre-1985 wells") was subject to local mill levies through production year 1988 (FY 90). Beginning, with production year 1989, old production became subject to the local government severance tax, which is explained on page 19.

Value of Gas: Total gross value is computed as the product of the total number of thousand cubic feet (MCF) produced each month and the average well mouth value per MCF. Producers are allowed to deduct any gas produced that is used in the operation of the well.

Filing Requirements: A separate return containing sales data must be filed for each lease by the operator for each calendar quarter. The returns are due on or before the last day of the month in April, July, October and January for the preceding calendar quarter. Producers are billed for taxes due quarterly by the County Treasurer where production property is located.

Revenue Collections: Natural gas net proceeds collections for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 998,770
1991	1,342,965
1992	1,915,482
1993	2,478,072
1994	3,504,671

Distribution of Gas Net Proceeds Tax: The revenue is proportionally distributed among the taxing jurisdictions in which the production occurred based on the total number of mills levied in the year preceding the current budget year.

Production Incentives: After notification to the department, "new production" is exempt from the tax for the first twelve months of production.

Local Government Severance Tax - Oil

Tax Rate: The Local Government Severance Tax (LGST) applies to production from wells which began producing before July 1, 1985 (pre-1985 wells).

Working Interest Owners:

Regular Production:	8.4% of taxable gross value;
Stripper Production	5.0% of taxable gross value;
Secondary Production:	5.0% of taxable incremental gross value;
Tertiary Production:	3.3%of taxable incremental gross value;

Royalty owners:

All types of production	12.5% of taxable gross value;

Value of Oil: Gross value is determined by multiplying the total number of barrels produced each month times the average value of oil at the wellhead for the same month. The operator may deduct any oil used in the operation of the well from the total production.

Filing Requirements: The operator of a well must file a report with the department on or before the 60th day after the end of a calendar quarter. The tax is paid in quarterly installments one year after the end of each quarter for which a statement is completed as required.

Revenue Collections:	The local government severance tax was established during the 1989 special session (HB-28) and applies to production years 1989 and after.

Fiscal Year	Revenue Collections
1991	$ 25,232,273
1992	29,190,112
1993	23,936,821
1994	21,348,250

Distribution of LGST - Oil: The LGST is allocated to the counties having oil and gas production by the State. Tax allocation is based upon a statutory formula designed to keep the revenues going to counties in the same proportion as 1990. LGST revenue is further distributed among taxing jurisdictions (county governments and school districts) in the same manner as property taxes were distributed in fiscal year 1990.

Production Incentives: Tax rate incentives exist for "stripper" wells which are wells producing an average of 10 barrels per day. Incremental production from secondary and tertiary recovery projects are taxed at reduced rates(see tax rates above).

Local Government Severance Tax - Natural Gas

Tax Rate: The Local Government Severance Tax (LGST) applies to production from wells which began producing before July 1, 1985 (pre-1985 wells).

Working Interest Owners:

Regular Production:	15.25% of taxable gross value;
Stripper Production	10.0% of taxable gross value;

Royalty owners:

All types of production	15.25% of taxable gross value;

Value of Gas: Gross value is determined by multiplying the total number of MCFs produced each month times the average value of gas at the well for the same month. The operator may deduct any gas used in the operation of the well from the total production.

Filing Requirements: The operator of a well must file a report with the department on or before the 60th day after the end of a calendar quarter. The tax is paid in quarterly installments one year after the end of each quarter for which a statement is completed as required.

Revenue Collections: The local government severance tax was established during the 1989 special session (HB-28) and applies to production years 1989 and after.

Fiscal Year	Revenue Collections
1991	$ 8,318,912
1992	6,582,211
1993	5,994,073
1994	6,018,213

Distribution of LGST - Gas: The LGST is allocated to the counties having oil and gas production by the State. Tax allocation is based upon a statutory formula designed to keep the revenues going to counties in the same proportion as 1990. LGST revenue is further distributed among taxing jurisdictions (county governments and school districts) in the same manner as property taxes were distributed in fiscal year 1990.

Production Incentives: Tax rate incentives exist for "stripper" wells having production of 60 MCF/day or less (see tax rates above).

Metal Mines Gross Proceeds Tax

Tax Rates: For property tax purposes, the taxable value of metal mines is equal to 3% of annual gross proceeds. This amount is then subject to local mill levies in the jurisdictions in which the taxable value of the mining operation is allocated (see section on distribution, below).

Gross Value of Product, Exemptions: Total gross proceeds means the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the quoted price for the metal and then subtracting basic treatment and refinery charges, quantity deductions, price deductions, interest, and penalty metal, impurity, and moisture deductions as specified by contract.

Metal mines that produce less than 20,000 tons of ore in a year are exempt from property taxation on one-half of the merchantable value.

Filing Persons mining metals are required to file a statement, on or

Requirements: before March 31 of each year, showing the total gross proceeds of metal mined during the preceding calendar year.

Revenue Collections: Revenue collections from the gross proceeds tax on metal mines for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 3,852,905
1991	3,013,940
1992	3,876,891
1993	3,435,861
1994	3,518,004

Distribution of Metal Mines Gr. Proceeds Tax: The taxable valuation of hard-rock mining operations is subject to allocations specified by hard-rock mining impact property tax base sharing laws. Generally, the tax base is allocated to taxing jurisdictions based on their associated relative economic impacts.

Production Incentives: Not Applicable.

Miscellaneous Mines Net Proceeds Tax

Tax Rates: For property tax purposes, the taxable value of mines other than metal and coal mines (bentonite, talc, vermiculite, etc.) is equal to 100% of annual net proceeds. This amount is then subject to local mill levies in the jurisdictions in which the taxable value of the mining operation is located.

Value of Net Proceeds: Talc

$4.25 per ton, adjusted annually for inflation (base year 1989, current value $5.02 per ton).

Vermiculite

$27 per ton, adjusted annually for inflation (base year 1991);

Limestone for quicklime

$.34 per ton, adjusted annually for inflation (base year 1993);

Other minerals-bentonite, limestone for cement, phosphate, silica, etc.

Net proceeds are equal to gross proceeds less those costs allowed by statute that are associated with production, including royalties paid or apportioned in cash or in kind.

Exemptions: Sand, gravel, travertine and building stone are exempt from mines net proceeds taxation.

Filing Requirements: Persons operating mines other than metal or coal mines are required to file a statement, on or before March 31 of each year, showing the total gross proceeds of minerals mined during the preceding calendar year, and information on costs associated with the mining operation sufficient to allow calculation of the net proceeds from the operation.

Revenue Collections: Revenue collections from the net proceeds tax on miscellaneous mines for the most recent five fiscal years are as follows:

Fiscal Year	Revenue Collections
1990	$ 2,026,216
1991	2,098,155
1992	2,156,478
1993	2,091,703
1994	2,007,979

Distribution of Misc. Mines Net Proceeds Tax: The net proceeds of miscellaneous mines is subject to mill levies of those taxing jurisdictions in which the mine is located. The tax is distributed on the basis of relative mills levied by all jurisdictions levying taxes in the area.

Production Incentives: Not Applicable.

Corporation

License

Tax

CORPORATE TAX RETURNS

FY 1994 Returns Filed

Regular Corporations	16,204
S-Corporations	8,096
Total	24,300

Corporations paying the $50 Minimum:	9,808
Corporations paying more than $50:	6,396

PERCENT OF TAX PAID
BY TOP 100 CORPORATE TAXPAYERS

FY93 56.0% FY94 56.0%

TOP 100 CORPORATE TAXPAYERS
BY INDUSTRIAL CLASSIFICATION

Industry Group	Number
Agriculture/Mining/Construction	5
Manufacturing	8
Transportation and Utilities	10
Wholesale & Retail Trade	33
Finance, Insurance and Real Estate	33
Services	11
No Grouping	0
Total	100

CORPORATION LICENSE TAX REVENUE
BY INDUSTRIAL CLASSIFICATION
FY1994

Major Industrial Group	Revenue
Agriculture	$4,525,904
Mining	861,883
Construction	2,586,958
Manufacturing	7,972,082
Transportation, Comm., & Utilities	12,290,150
Wholesale & Retail Trade	9,573,406
Finance, Ins. & Real Estate	14,044,040
Services	2,349,682
No Grouping	6,385,754
Total	$60,589,859

CORPORATE LICENSE TAX COLLECTIONS
Fiscal Years 1986 - 1994

FY	Tax	Audit	Total
1986	48,273,629	10,311,155	58,584,784
1987	25,045,063	9,522,752	34,567,815
1988	36,996,786	9,203,317	46,200,103
1989	48,294,768	7,844,981	56,139,749
1990	71,970,684	8,369,433	80,340,117
1991	68,735,352	5,584,558	74,319,910
1992	42,365,692	15,316,981	57,682,673
1993	61,192,111	23,862,371	85,054,482
1994	61,325,233	7,546,676	68,871,909

MAXIMUM STATE CORPORATION TAX RATES

MEDIAN RATE 7.90%

Pennsylvania	12.25%
Iowa*	12.00%
Connecticut	11.50%
North Dakota*	10.50%
Minnesota	9.80%
Alaska*	9.40%
Arizona	9.30%
California	9.30%
West Virginia	9.08%
New Jersey	9.00%
New York	9.00%
Rhode Island	9.00%
Maine*	8.93%
Ohio*	8.90%
Delaware	8.70%
Kentucky*	8.25%
Vermont*	8.25%
Idaho	8.00%
Lousiana*	8.00%
New Hampshire	8.00%
Wisconsin	7.90%
Nebraska*	7.81%
North Carolina	7.75%
New Mexico*	7.60%
Maryland	7.00%
Montana	**6.75%**
Oregon	6.60%
Arkansas*	6.50%
Missouri*	6.50%
Hawaii*	6.40%
Georgia	6.00%
Oklahoma	6.00%
Tennessee	6.00%
Virginia	6.00%
Florida	5.50%
Colorado*	5.10%
Alabama	5.00%
Mississippi*	5.00%
South Carolina	5.00%
Utah	5.00%
Illinois	4.80%
Kansas	4.00%
Indiana	3.40%

No Corporation Inc. Tax

Massachusetts**
Michigan**
Nevada
South Dakota
Texas**
Washington**
Wyoming

* States with a graduated rate corporation income tax. Highest rate is shown.
** States have an alternative form of corporation tax not necessarily based upon income.

FORM CLT-4 — MONTANA CORPORATION LICENSE TAX RETURN — 1994

For the calendar year 1994 or tax year beginning ____________, 1994; ending ____________, 19____

Name ____________ FEIN: ____________

Number, Street, and Room or Suite No. or P.O. Box No. ____________ Federal Business Code: ____________

Incorporated in State of ____________ Date ____________

City, State, Zip Code ____________

Reporting Method: Cash ____ Accrual ____ Other (Please Specify) ____________ Date Qualified in Montana: ____________

1. Taxable Income per Federal return (Line 28) (COPY OF FEDERAL 1120 MUST BE ATTACHED)	1	
2. ADD: Montana additions to income (From Schedule A, page 2)	2	
3. LESS: Montana reductions from income (From Schedule B, page 2)	3	
4. Adjusted Taxable Income (line 1 + 2 - 3)	4	
5. Multistate Taxpayers: Income apportioned to Montana (Line 4 X ______% From Schedule K, line 5)	5	
6. Multistate Taxpayers: Income allocated directly to Montana	6	
7. Montana taxable income before net operating loss (line 4) or (line 5 + 6 for Multistate Taxpayers)	7	
If line 7 is a loss, check here if you wish to forego the net operating loss carryback provision. ______		
8. Montana net operating loss carryover (From Schedule C, page 2)	8	
9. Montana taxable income (line 7 less 8)	9	
10. Montana tax liability: line 9 X 6.75% (X 7% for electing water's edge corporations) BUT NOT LESS THAN $50.	10	
11. LESS: (a). 1993 Overpayment .... 11(a) ______		
(b). Tentative Payment .... 11(b) ______		
(c). Quarterly Estimated Tax Payments .... 11(c) ______		
Total Payments .... 11 ______		
12. LESS: Credits (From Schedule D, page 2) .... 12 ______		
13. Adjusted tax liability (line 10 - 11 - 12)	13	
14. Estimated Tax Underpayment Interest Penalty (attach form CLT-4UT) .... 14 ______		
15. Penalty @ 10% of line 13 .... 15 ______		
16. Interest from due date @ 12% per annum .... 16 ______		
17. **Total Due or Overpayment** (line 13 + 14 + 15 + 16)	17	
18. Overpayment to be credited to 1995 estimated tax	18	
19. Refund Due	19	

QUESTIONS

1. If this is the corporation's first return, indicate whether: ______ New Business, or ______ Successor to previously existing business. Enter name, address, and FEIN of previous business: ____________
2. If this is the corporation's final return, indicate whether: ______ Dissolved, ______ Withdrawn, ______ Merged, or ______ Reorganized. Date dissolved, or date of dissolution, merger, or reorganization: ____________ If your status has been changed by dissolution, merger, or reorganization; attach a statement with the details.
3. Check if this is a consolidated return. ______ If this is a consolidated return PLEASE ATTACH a list of all companies and their FEIN included in the return.

DECLARATION

This return must be signed by one of the following: president, vice-president, treasurer, assistant treasurer, or chief accounting officer.

I, the undersigned officer of the corporation for which this return is made, hereby declare that this return; including all accompanying schedules and statements; is, to the best of my knowledge and belief, a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana Corporation License Tax Law and Regulations.

Signature of Officer ______ Date ______ Name of person or firm preparing return ______ Date ______

Title ______ Telephone Number ______ Address and Zip Code ______ Telephone Number ______

File this return on or before the 15th day of the fifth month after the close of taxable year. File with the Montana Department of Revenue, Corporation Tax Bureau, Mitchell Bldg, Helena, MT 59620.

ATTACH REMITTANCE PAYABLE TO STATE TREASURER

COPY OF FEDERAL 1120 MUST BE ATTACHED

Schedule A: Montana Additions to Federal Taxable Income			
1. Montana Corporation License Tax	1		
2. Other State, Local, Foreign, and Franchise Taxes Based on Income	2		
3. Federal Environmental Tax	3		
4. Federal Tax Exempt Interest	4		
5. Other Additions (ATTACH DETAILED BREAKDOWN)	5		
6. Total Additions (enter here and on page 1, line 2)	6		

Schedule B: Montana Reductions from Federal Taxable Income			
1. IRC Section 243 Dividend Received Deduction	1		
2. Allocable Income (Applies only to Multistate Taxpayers) (ATTACH DETAILED BREAKDOWN)	2		
3. Other Reductions (ATTACH DETAILED BREAKDOWN)	3		
4. Total Reductions (enter here and on page 1, line 3)	4		

Schedule C: Net Operating Loss Deduction			
SEE INSTRUCTIONS, PAGE 1		AMOUNT	
1. 1987 Net Income\Operating Loss	1		
2. 1988 Net Income\Operating Loss	2		
3. 1989 Net Income\Operating Loss	3		
4. 1990 Net Income\Operating Loss	4		
5. 1991 Net Income\Operating Loss	5		
6. 1992 Net Income\Operating Loss	6		
7. 1993 Net Income\Operating Loss	7		
8. Other (ATTACH DETAILED SCHEDULE)	8		
9. Net Operating Loss Deduction (enter here and on page 1, line 8)	9		

Schedule D: Credits			
1. Less: Investment Credit Recapture	1	(	)
2. Montana Capital Company Credit (ATTACH Form MC1-84)	2		
3. New/Expanded Industry Credit (ATTACH SCHEDULE)	3		
4. Interest Differential Credit (ATTACH SCHEDULE)	4		
5. Carryover of Montana Investment Credit (years beginning prior to 1/1/83) (ATTACH SCHEDULE)	5		
6. Dependent Care Assistance Credit (ATTACH Form DCA-CT)	6		
7. Credit Contribution to University Foundation & Montana Private Colleges (Form CC-CT)	7		
8. Disability Insurance for Uninsured Montanans Credit (Form DIPC-CT)	8		
9. Montana Recycling Credit (Form RCYL-CT)	9		
10. Wind Energy Generation Tax Credit (ATTACH Form MW-1)	10		
11. Contractor's Gross Receipts Tax Credit (ATTACH SCHEDULE)	11		
12. Credit for Alternative Fuel Motor Vehicle Conversion (ATTACH SCHEDULE)	12		
13. Total Credits (enter here and on page 1, line 12)	13		

Questions Required of ALL Taxpayers:

Yes No

☐ ☐ 1. Are you included as a member of a consolidated group for U.S. Consolidated Income Tax Purposes?
If "Yes", ATTACH pages 1 through 4 of the consolidated U.S. Corporation Income Tax Return (Form 1120) and a schedule of gross income and deductions, by company, supporting the consolidated taxable income. If you are a member of an affiliated group of corporations, please attach a list of the names of any other corporation within the group which files a Montana Corporation License Tax return.

☐ ☐ 2. Has the Internal Revenue Service determined your taxable income (Form 1120, line 28) or income tax liability to be different from that reported for any previous year? If "Yes", indicate the most recent taxable year and completion date for which an Internal Revenue Service audit has been completed: ____________________

☐ ☐ 3. Are any statute of limitation waivers currently in force which have been executed with the Internal Revenue Service?
If "Yes", which taxable years are covered and what are the expiration dates of the waivers? ____________________

☐ ☐ 4. Has an amended federal return been filed for any of the last five (5) taxable years?
If "Yes", which taxable year was amended? ____________________
If "Yes", has an amended Montana return been filed? ____________

5. Describe the nature and location(s) of your Montana activities: ____________________
____

Schedule K — Apportionment Factors for Multistate Taxpayers

	A. EVERYWHERE	B. MONTANA	C. FACTOR (B divided by A = C)
1. Property Factor:			
Use average value for real and tangible personal property:			
Land			
Buildings			
Machinery			
Equipment			
Furniture & Fixtures			
Inventories			
Supplies and other			
Rents X 8			
TOTAL Property			%
2. Payroll Factor:			
Compensation of Officers			
Salaries and Wages			
Payroll included in:			
Cost of goods sold			
Repairs			
Other deductions			
TOTAL Payroll			%
3. Sales (Gross Receipts) Factor:			
Gross Sales, Less returns			
Other (attach schedule)			
TOTAL Sales			%
4. Sum of Factors (add lines 1, 2, and 3)			%
5. APPORTIONMENT FACTOR (1/3 of line 4) (enter here and on line 5, page 1)			%

Questions Required of Multistate Taxpayers Only:

Yes No

☐ ☐ 1. Did you at the end of the taxable year own, directly or indirectly, 50% or more of the outstanding voting stock of a domestic corporation? If "Yes", attach a schedule showing name, address, and percentage owned.

☐ ☐ 2. Were you a U.S. shareholder of any controlled foreign corporation? If "Yes", attach a schedule showing name, address, and percentage owned.

☐ ☐ 3. Did any individual, partnership, corporation, estate, or trust at the end of the taxable year own, directly or indirectly, 50% or more of your voting stock? If "Yes", attach a schedule showing name, address, and percentage owned.

☐ ☐ 4. If the answer to question 3 is "Yes", did the same individual, partnership, corporation, estate, or trust at the end of the taxable year also own directly or indirectly, 50% or more of the voting stock of another (brother-sister) Corporation? If "Yes", attach a schedule of the other corporate entity(ies).

5. Check Applicable Filing Method:

____Separate Company Apportionment
____Separate Accounting
____Worldwide Combination
____Domestic Combination
____Limited Combination
____Water's Edge Return (MUST have a valid election)

FORM CLT-4S

MONTANA SMALL BUSINESS CORPORATION TAX RETURN

1994

FEIN:______

Federal Business Code: ______

Incorporated In State of: ______

Date:______

Date Qualified in Montana: ______

Check If Applicable

___ Initial Return

___ Final Return

___ Multistate Corporation

Name

Number, Street, and Room or Suite No. or P.O. Box No.

City, State, Zip Code

Reporting Method: Cash______ Accrual______ Other (Specify)______

1. Ordinary Income (loss) from trade or business activities (FORM 1120S, page 1, line 21)		1	
2. Net income (loss) from rental real estate activities (attach Form 8825)		2	
3(a). Gross Income from other rental activities	3(a)		
(b). Expenses from other rental activities (attach schedule)	3(b)		
Net Income (loss) from other rental activities. (Subtract line 3b from line 3a)		3	
4. Portfolio income (loss):			
(a). Interest Income	4(a)		
(b). Dividend Income	4(b)		
(c). Royalty Income	4(c)		
(d). Net short-term capital gain (loss) (attach Schedule D)	4(d)		
(e). Net long-term capital gain (loss) (attach Schedule D)	4(e)		
(f). Other portfolio income	4(f)		
Total Portfolio Income		4	
5. Net gain (loss) under section 1231 (other than due to casualty or theft) (attach Form 4797)		5	
6. Other Income		6	
7. Charitable Contributions (attach schedule)		7	
8. Section 179 expense deduction (attach Form 4562)		8	
9. Deductions related to portfolio income (loss) (itemize)		9	
10. Other deductions (attach schedule)		10	
11. Montana additions to income (From Schedule A, page 2)		11	
12. Montana reductions to income (From Schedule B, page 2)		12	
13. Montana Income Taxable to Shareholders - Total of lines 1 through 12		13	
14. Multistate Taxpayers: Line 13 X ___% From Schedule K, Line 5		14	
15. Multistate Taxpayers - Income Allocated Directly to Montana		15	
16. Montana Small Business Filing Fee (See instructions) $10		16	$10 00
17. Less: Tentative Payment		17	( )
18. Penalty @ 10% of line 16		18	
19. Interest from due date @ 12% per annum of line 16		19	
20. Total Due (Line 16 -17+18+19)		20	

Shareholder Information (See Page 1 of Instructions):

Name	Social Security #	MT Resident	Ownership %	Profit (Loss)%	Compensation
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

A COPY OF YOUR FEDERAL 1120S MUST BE ATTACHED TO THIS RETURN

Schedule A	Montana Additions to Federal Taxable Income	
1. Montana Corporation License Tax	1	
2. Other State, Local, and Foreign Income Taxes	2	
3. Federal Environmental Tax	3	
4. Federal Tax Exempt Interest	4	
5. Other Additions (attach detailed breakdown)	5	
6. Total Additions (enter here and on page 1, line 11)	6	

Schedule B	Montana Reductions to Federal Taxable Income	
1. IRC Section 243 Dividend Received Deduction	1	
2. Allocable Income (Applies only to Multistate Taxpayers) (attach detailed breakdown)	2	
3. Other Reductions (attach detailed breakdown)	3	
4. Total Reductions (enter here and on page 1, line 12)	4	

Schedule K — Apportionment Factors for Multistate Taxpayers

	A. EVERYWHERE	B. MONTANA	C. FACTOR (B divided by A = C)
1. Property Factor:			
Use average value for real and tangible personal property:			
Land			
Buildings			
Machinery			
Equipment			
Furniture & Fixtures			
Inventories			
Supplies and other			
Rents X 8			
TOTAL Property			%
2. Payroll Factor:			
Compensation of Officers			
Salaries and Wages			
Payroll included in:			
Cost of goods sold			
Repairs			
Other deductions			
TOTAL Payroll			%
3. Sales (Gross Receipts) Factor:			
Gross Sales, Less returns			
Other (attach schedule)			
TOTAL Sales			%
4. Sum of Factors (add lines 1, 2, and 3)			%
5. APPORTIONMENT FACTOR (1/3 of line 4) (Enter here and on line 14, page 1)			%

DECLARATION

This return must be signed by one of the following: president, vice-president, treasurer, assistant treasurer, or chief acounting officer.

I, the undersigned officer of the corporation for which this return is made, hereby declare that this return; including all accompanying schedules and statements; is to the best of my knowledge and belief, a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana Corporation License Tax Law and Regulation.

Signature of Officer ____ Date ____ Name of person or firm preparing return ____ Date ____

Title ____ Telephone Number ____ Address and Zip Code ____ Telephone Number ____

File this return on or before the 15th day of the fifth month after the close of taxable year. File with the Montana Department of Revenue, Corporation Tax Bureau, Mitchell Building, Helena, Montana 59620.

ATTACH REMITTANCE PAYABLE TO STATE TREASURER

Property

Tax

Property Tax Index

PROPERTY ASSESSMENT DIVISION

Although 95% of property taxes collected are spent locally, the Property Assessment Division is responsible for insuring that all property in the state is treated fairly. The Division's duties include the appraisal, assessment, and equalization of the value of all property in the state for the purpose of taxation.

Most real estate, improvements, and personal property are appraised by state employees in regional appraisal/assessment offices. A county presence is maintained in each county. Only six counties have elected county assessor positions. As required by current law, the Department contracts with those counties for the services of those individuals. The Department specifies their duties.

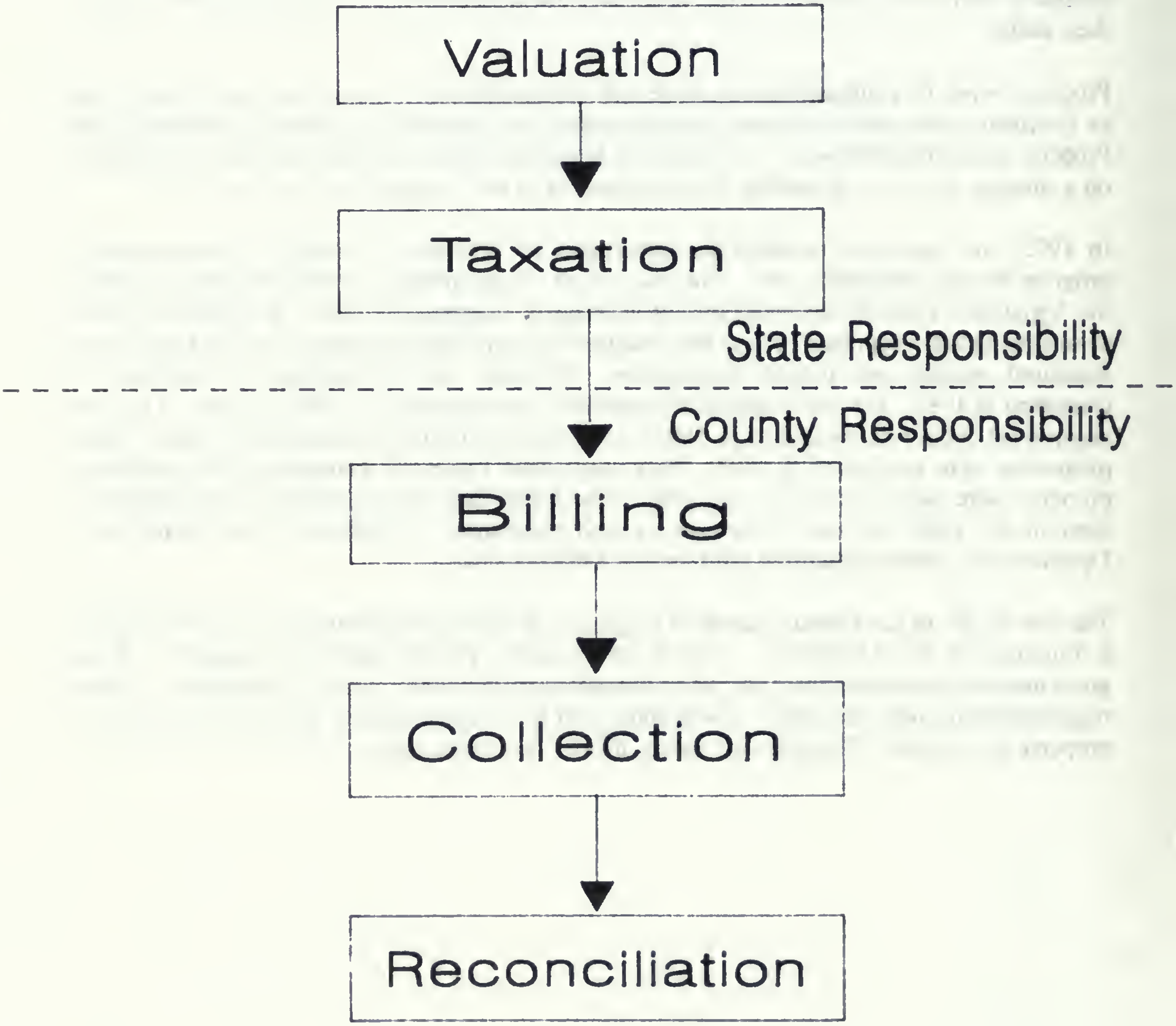
Property owned by companies that is single and continuous and is in more than one county (such as railroads, telecommunications, electric utilities and pipelines) is centrally assessed by the Property Assessment Division. The valuation is apportioned to counties and other jurisdictions on a mileage basis, or on another basis determined to be "reasonable and proper."

In 1975, the legislature required the Department of Revenue to administer and supervise a program for the revaluation every five years of all taxable property within the state. In 1991, the legislature reduced the timeframe of subsequent reappraisal cycles. Revaluations (more commonly called reappraisal cycles) are designed to insure that all property is taxed on current structural, market and income information. Montana's second statewide reappraisal was completed in 1985. The new reappraisal values were first used for the 1986 tax year. The third reappraisal cycle was completed in 1992 except for forest land and agricultural land. Those properties were completed in 1993. New reappraisal values for commercial and residential property were used for the 1993 tax year. New forest land and agricultural land values were used in the 1994 tax year. The state's fourth reappraisal is scheduled to be completed by December 31, 1996 and will be used for the 1997 tax year.

The rate of tax on the various classes of property and the establishment of the actual classes is a function of the Legislature. There are currently eleven classes of property. Local governments determine the mill levy requirements for each taxing jurisdiction. Those requirements include state mills. Using those mill levy determinations, division staff calculate property tax liability. Included are special district fees and charges.

Functions of Property Taxation

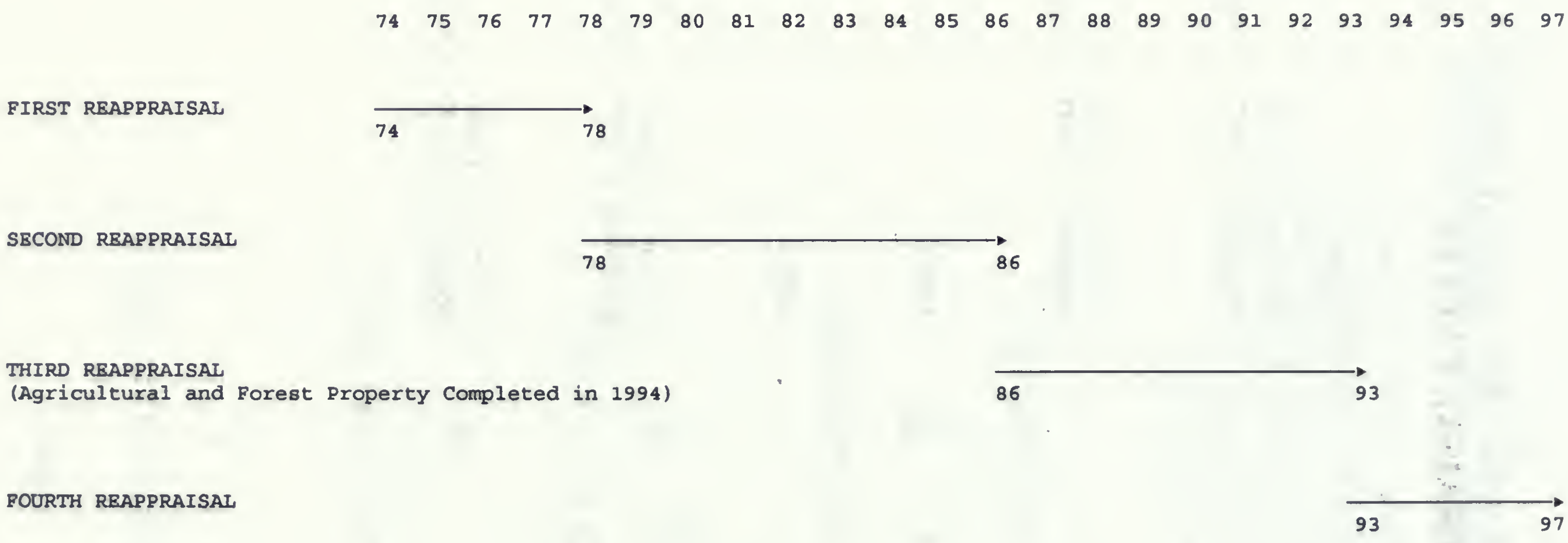
The various functions required to accomplish property taxation are identified below. The valuation and taxation functions are currently the responsibility of the state. The tax billing, collection, and reconciliation functions are a county reponsibility.



REAPPRAISAL CYCLES

Property Types	Cycles
Residential Land & Buildings	Current - 4 Years Beginning in 1997 - 3 Years
Commercial Land & Buildings	Current - 4 Years Beginning in 1997 - 3 Years
Business Equipment & Livestock	Annual
Inter-County Properties	Annual
Forest Lands	Current - 3 Years Beginning in 1997 - 3 Years
Agricultural Land	Current - 3 Years Beginning in 1997 - 3 Years

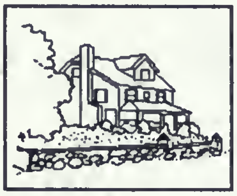
REAPPRAISAL CYCLES



PROPERTY TAXATION

All taxable property must be assessed at 100% of its market value except as otherwise provided (15-8-111, MCA).

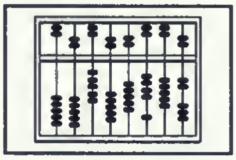
Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.



$75,000 = Market Value

The market value is multiplied times the statutory taxable percentage to get the taxable value of the property.

$75,000 X 3.86% = $2,895
Market X Taxable percentage = Taxable Value

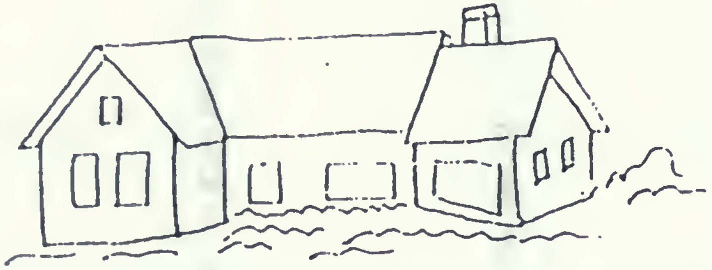


The taxable value is multiplied times the mill levy of the district to get taxes.

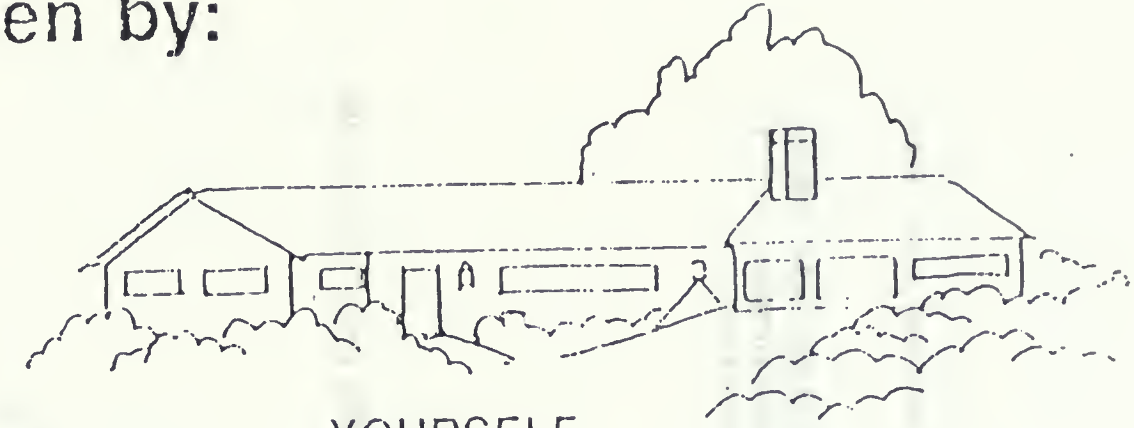
$2,895 X 250 mills = $723.75

A mill is a tenth of a cent, so a levy of 250 translates to $250 per $1,000 of taxable value ($1,000 X .250 = $250).

YOUR HOUSE as seen by:



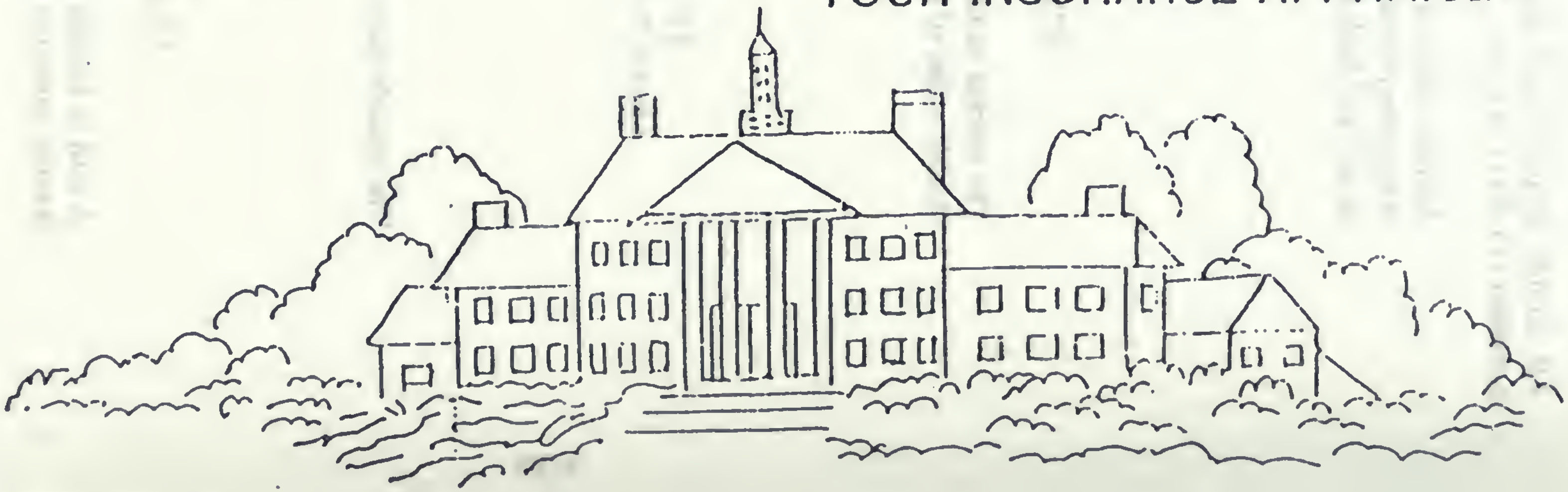
YOUR LENDER



YOURSELF

YOUR BUYER

YOUR INSURANCE APPRAISER



LEGAL CONSIDERATIONS

The purpose of this discussion is to highlight significant legal standards that must be satisfied if Montana's ad valorem property tax is changed. The most important standard is the equalization requirement of Art. VIII, section 3 of the Montana Constitution.

In Montana Dept. of Revenue v. Barron, 245 Mont. 100, 799 P.2d 533(1990) the Montana Supreme Court struck down a method of valuation which applied a percentage adjustment to all property within an area. They held that the constitutional requirement to equalize values was violated by the percentage adjustment because all similar properties were not valued in a like manner.

The three most important lessons from this case are:

1. All similar property must be valued in the same manner. In other words, we cannot mix different methods and still have "equalization" as required by the Constitution.

2. The old appraisal values are no longer "equalized" and the court has already told us so.

3. Any valuation method other than "market value" is suspect and may be contrary to the Montana Constitution as presently written.

A system which combines market values with values determined under a different system is subject to challenge under the court's reasoning in Barron. The reason it is subject to challenge is simply that values cannot possibly be "equalized" if the values are not set based on the same method. The court came to this result in Dept. of Revenue v. State Tax Appeal Board (1980), 188 Mont. 244, 613 P.2d 691. In this case, although the same valuation method was used, different appraisal manuals were used to reach the value. The court held that the use of different manuals violated the Constitution.

Any system for valuing property which does not use current market values may also violate the Montana Constitution. Currently, agricultural and timber land is valued based on productivity, but it can be argued that is just another method for determining a market value. If a different methodology not intended to reach market value is used, the court may find that values have not been equalized.

Another issue which may arise is the residence of the owner of Montana property, and whether it can properly be considered in any new tax plan. A state may discriminate between residents and nonresidents so long as there is a rational basis. However, there does not appear to be a rational basis when the discrimination is based upon residency being fixed as of a specific time.

The United States Supreme Court has addressed the issue of a state discriminating between residents and nonresidents, when the residency was permanently determined as of a fixed date. In Zoel v. Williams, 457 U.S.55, 72 L.Ed.2d 672 (1982), and Hopper v. Bernalillo County Assessor, 472 U.S. 612, 86 L.Ed2d 487 (1985), the court held that a state violates Equal Protection if there is not a rational basis for discriminating between persons who acquired residency as of a fixed time and those who did not.

Section 1. Tax purposes. Taxes shall be levied by general laws for public purposes.

Section 2. Tax power inalienable. The power to tax shall never be surrendered, suspended, or contracted away.

Section 3. Property tax administration. The state shall appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.

Section 4. Equal valuation. All taxing jurisdictions shall use the assessed valuation of property established by the state.

Section 5. Property tax exemptions. (1) The legislature may exempt from taxation: a) Property of the United States, the state, counties, cities, towns, school districts, municipal corporations, and public libraries, but any private interest in such property may be taxed separately.

(b) Institutions of purely public charity, hospitals, and places of burial not used or held for private or corporate profit, places for actual religious worship, and property used exclusively for educational purposes.

(c) Any other classes of property.

(2) The legislature may authorize creation of special improvement districts for capital improvements and the maintenance thereof. It may authorize the assessment of charges for such improvements and maintenance against tax exempt property directly benefitted thereby.

Section 6. Highway revenue non-diversion. (1) Revenue from gross vehicle weight fees and excise and license taxes (except general sales and use taxes) on gasoline, fuel, and other energy sources used to propel vehicles on public highways shall be used as authorized by the legislature, after deduction of statutory refunds and adjustments, solely for:

(a) Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges.

(b) Payment of county, city and town obligations on streets, roads and bridges.

(c) Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs.

(2) Such revenue may be appropriated for the other purposes by a three-fifths vote of the members of each house of the legislature.

Section 7. Tax appeals. The legislature shall provide independent appeal procedures for taxpayer grievances about appraisals, assessments, equalization, and taxes. The legislature shall include a review procedure at the local government unit level.

15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

(c) Except as provided in subsection (3), the market value of all motor trucks; agricultural tools, implements, and machinery; and vehicles of all kinds is the average wholesale value shown in national appraisal guides and manuals or the value of the vehicle before reconditioning and profit margin. The department shall prepare valuation schedules showing the average wholesale value when a national appraisal guide does not exist.

(3) The department may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property, except:

(a) the wholesale value for agricultural implements and machinery is the loan value as shown in the Official Guide, Tractor and Farm Equipment, published by the national farm and power equipment dealers association, St. Louis, Missouri;

(b) for agricultural implements and machinery not listed in the official guide, the department shall prepare a supplemental manual in which the values reflect the same depreciation as those found in the official guide; and

(c) as otherwise authorized in Title 15 and Title 61.

(4) For purposes of taxation, assessed value is the same as appraised value.

(5) The taxable value for all property is the percentage of market or assessed value established for each class of property.

(6) The assessed value of properties in 15-6-131 through 15-6-133 is as follows:

(a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515, 15-23-516, or 15-23-517.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

(7) Land and the improvements on the land are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

HISTORY OF CLASSIFICATION

Property in Montana was first placed in statutory tax classes in 1919. Seven classes were created by the Legislature. The fiscal impact was a 3-fold increase in assessed value.

Changes in tax classifications were made over the years including rate changes, movement of property between classes, and exemption of property from taxation. However, the most significant changes occurred in 1977 and 1979.

In 1977, the Legislature adopted a market value standard for valuing property and established rates for taxing the property (taxable value rates). This ended the fractional assessment of property in Montana. The 1977 legislation was designed to maintain effective tax rates for various types of property.

To maintain effective tax rates the number of classes was increased from 11 to 18. In addition, two more classes were created in 1977 bringing the total to 20.

The Legislature was concerned with the large number of classes. They provided for an interim study of classifications and the reasons for grouping types of property. As a result of the study, legislation was introduced and passed in 1979 grouping like property into the same class and reducing the classes from 20 to 10.

Through the 1980's the number of classes doubled returning to the 1977 grouping level of 20. Also, the property tax on several properties was replaced by fees.

The 1991 Legislature provided tax rate reductions to certain types of personal property. It then reduced the number of tax classes to 12 by combining those tax classes with similar property types and tax rates.

The 1993 Legislature reduced the number of tax classes to 11 by combining Class 11 (farmsteads) with Class 4 (land and improvements).

CLASSES OF PROPERTY AND TAX RATES
SUMMARY

The 1993 Legislature passed a bill consolidating the existing 12 property classes into 11. The revised property classification system is as follows (taxable value percentage is in parenthesis):

Class 1
- Net proceeds of all mines and mining claims except coal and metal mines *(100%)*

Class 2
- Gross proceeds of metal mines *(3%)*

Class 3
- Agricultural land *(3.86% of productive capacity)*
  Nonproductive patented mining claims *(3.86% of productive capacity as grazing land)*
- Nonagricultural land 20 acres or more but under 160 acres *(27.02% of productive capacity as grazing land)*

Class 4
- Residential, commercial, and industrial land and improvements *(3.86%)*
- Golf courses *(1.93%)*
- Idle agricultural and timber processing property *(3.86%)*
- Mobile homes *(3.86%)*
- Farmsteads and 1-Acre homesites *(3.86%)*

Class 5
- Air and water pollution control equipment *(3%)*
- Rural electric and telephone cooperatives *(3%)*
- Real and personal property of "new industry" *(3%)*
- Machinery and equipment used in electrolytic reduction facilities *(3%)*
- Real and personal property of research and development firms *(3%)*
- Real and personal property used to produce gasohol *(3%)*

Class 6
- Livestock *(4%)*
- Rental or lease equipment valued at less than $5,000 *(4%)*
- Machinery and equipment used in canola seed oil processing facilities *(4%)*

Class 7
- Qualifying independent telephone and electric cooperatives *(8%)*

Class 8
- Business personal property *(9%)*

Class 9
- Real & personal property of utilities, telecommunication companies and pipelines *(12%)*

Class 10
- Forest land *(0.79% beginning in tax year 1994)*

Class 11
- Repealed. Sec. 9, Chapter 267, L. 1993

Class 12
- Real and personal property of railroads and airlines *(7.51% for tax year 1994)*

A more detailed description of the property included in the above classes is provided in the following pages.

CLASS ONE (15-6-131, MCA) 100% of Annual Net Proceeds

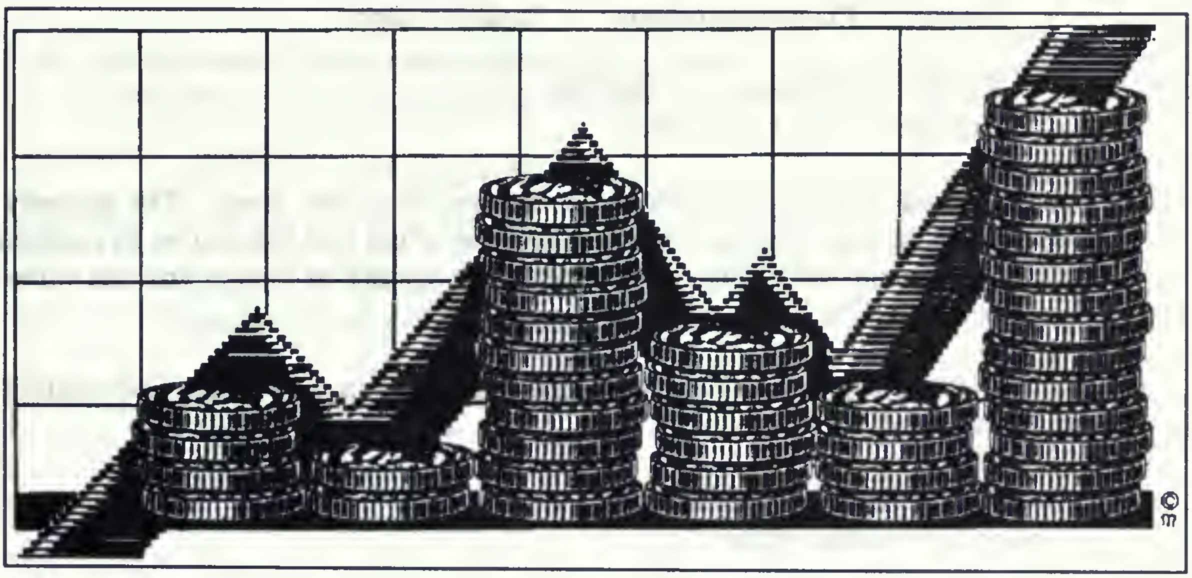
- Includes the annual net proceeds of all mines and mining claims except coal and metal mines.

- Class one property is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed.

CLASS TWO (15-6-132, MCA) 3% of Annual Gross Proceeds

- Includes the annual gross proceeds of metal mines.

- Class two property is taxed at 3% of its annual gross proceeds.



CLASS THREE (15-6-133, MCA) 3.86% of Productive Capacities

- Reflects the agricultural class changes that are effective for 1994.

- Agricultural land and nonproductive patented mining claims
  The property is appraised by the local appraisal office. The productive capacity of the land is based on the ability to produce net farm income.

- There are five classifications of agricultural land:
  1. Continuously cropped tillable / non-irrigated farmland.
  2. Fallow tillable / non-irrigated farmland.
  3. Irrigated tillable farmland.
  4. Continuously cropped hay land (wild hay).
  5. Grazing land.

- Given a 300 acre field, tillable fallow / non-irrigated farmland. Average yield is 25 bushels of wheat per acre.

  (300 acres @ $234.35 per acre)
  $70,305 = Market Value

  $70,305 X 3.86% = $2,714
  Market X Taxable percentage = Taxable Value

  $2,714 X 250 mills = $678.50
  Taxable X Mills = Taxes

- Nonagricultural land 20 acres or more but less than 160 acres. The property is appraised by the local appraisal office. The value of the land is based on its productive capacity as grazing land. The taxable value is computed by multiplying that value by a tax rate of 27.02%.

- Given a 100 acre parcel that is not eligible for valuation, assessment and taxation as agricultural land.

  (100 acres @ $29.92 per acre)
  $2,992 = Market Value

  $2,992 x 27.02% = $808
  Market x Taxable Percentage = Taxable Value

  $808 x 250 Mills = $202
  Taxable x Mills = Taxes

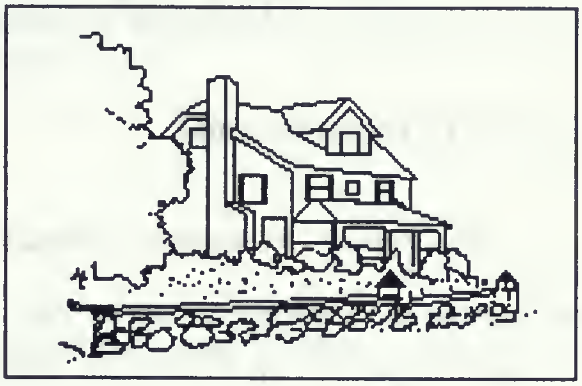
For a detailed explanation on agricultural land valuation, refer to the "Agricultural Land Taxation in Montana" summary.

CLASS FOUR (15-6-134, MCA) 3.86% of Market Value

- Reflects farmstead and 1-acre homesite class changes effective for 1994.

- All land and improvements (except those specifically included in another class). The property is appraised by the local appraisal office (except large industrial property).

- This includes residential, commercial, and industrial land and improvements (3.86%); idle agricultural and timber processing property (3.86%); mobile homes (3.86%); farmsteads and 1-acre homesites (3.86%); and golf courses (1.93%).



- Market value of land and improvements is calculated using the cost, income and market approaches by the county appraisal office.

$75,000 = Market Value

$75,000 X 3.86% = $2,895
Market X Taxable percentage = Taxable Value

$2,895 X .250 mills = $723.75
Taxable X Mills = Taxes

- For qualifying low income property owners, an adjustment is made to the taxable value of the property. The adjustment is based on the amount of their annual income.

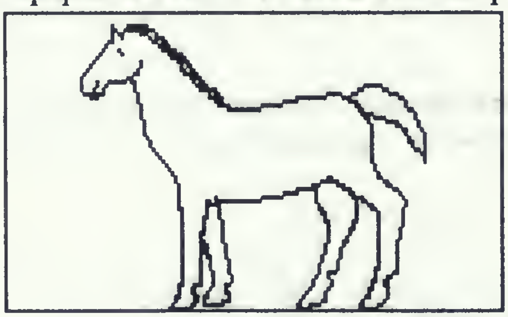
CLASS FIVE (15-6-135, MCA) 3% of Market Value

- Includes:
    1. Approved air and water pollution control equipment,
    2. All property used and owned by rural electric and telephone cooperatives,
    3. Real and personal property of "new industry",
    4. Machinery and equipment used in electrolytic reduction facilities,
    5. All qualifying property owned by a research and development firm,
    6. Any property used primarily in the production of gasohol (first 3 years).

- The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 3 percent.

CLASS SIX (15-6-136, MCA) 4% of Market Value

- Includes:
    1. Livestock and other species of domestic animals and wildlife raised in domestication,
    2. Rental or lease equipment valued at less than $5,000,
    3. Machinery and equipment used in a canola seed oil processing facilities.



- The market value of livestock is determined by an analysis of average market prices throughout a given area. Livestock also is charged a per capita tax that is used in funding for the Department of Livestock.

Saddle Horse
$564 = Market Value

$564 X 4% = $23
Market X Taxable percentage = Taxable Value

$23 X 250 mills = $5.75
Taxable X Mills = Taxes

Per Capita Tax = $1.58

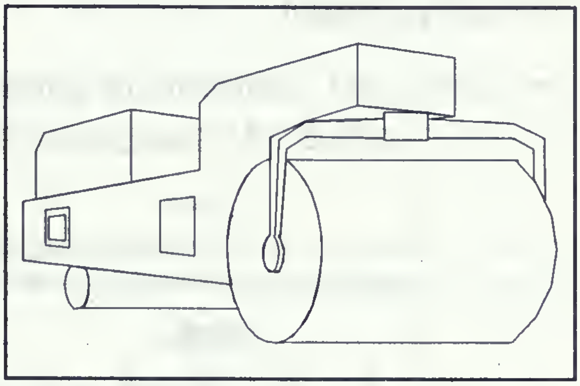
CLASS SEVEN (15-6-137,MCA) 8% of Market Value

- Qualifying independent telephone and electric cooperatives

- The market value of personal and real property is determined utilizing the same methods for other similar property, but classified at 8 percent.

CLASS EIGHT (15-6-138, MCA) 9% of Market Value

- Business personal property.



- The market value for machinery and equipment is usually determined through use of the "Green Guide" manual or by applying a percent good factor to the F.O.B. or acquired cost.

Steamroller acquired in 1984 (36% good)

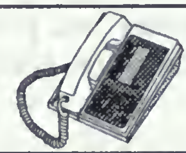
$7,200 = Market Value
(Acquired cost X Percent Good Table)

$7,200 X 9% = $648
Market X Taxable percentage = Taxable Value

$648 X 250 mills = $162
Taxes X Mills = Taxes

CLASS NINE (15-6-141, MCA) 12% of Market Value

- All real and personal property owned and used by centrally assessed companies (Electric, Telecommunication, and Pipeline).



- Centrally assessed companies are valued by staff appraisers in Helena by a method referred to as the "unit approach to value." The appraiser determines a system value for the company, allocates a portion to the state and then apportions values to the counties where the property is located.

- Three indicators are typically used to determine the system value of the company:

COST

INCOME

MARKET/STOCK AND DEBT

- The indicators are correlated (weighted to arrive at a system value):

SYSTEM VALUE

- The Department determines an allocated value to the state (what portion belongs to Montana):

ALLOCATED MONTANA VALUE

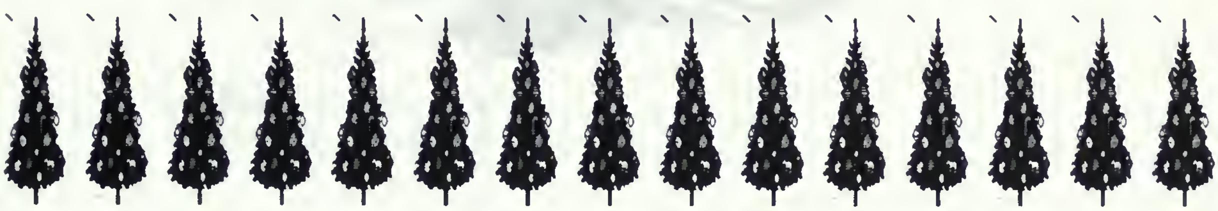
- The Department then apportions the allocated Montana value to the counties where the property is located.

- Centrally Assessed Example:

Given: System Value	=	$1,000,000
Montana Allocation	=	25%
Montana Allocated Value	=	$250,000
Taxable Percentage	=	12%
Taxable Value	=	$30,000
Average Mill	=	250
Taxes	=	$7,500

CLASS TEN (15-6-143, MCA) Currently 4% of Market Value; Tax Class Percentage to be Recalculated for 1994

- Forest lands (contiguous land of 15 acres or more in one ownership that is capable of producing timber that can be harvested in commercial quantity).



- Forest land is valued on the basis of its ability to produce timber, other associated products, and associated agricultural products through an income approach as defined in 15-44-103. (For a more detailed explanation, refer to the "Forest Taxation in Montana" section.)

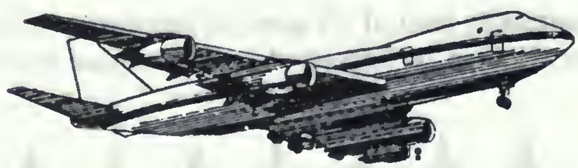
CLASS ELEVEN (Previously 15-6-144, MCA) Repealed. See 9, Chapter 267, L. 1993

Combined into Class 4

CLASS TWELVE (15-6-145, MCA) Taxable Percentage "R" Determined Annually

- All railroad transportation property as described in the Railroad Revitalization and Regulatory Reform Act (4R Act).

- All airline transportation property as described in the Tax Equity and Fiscal Responsibility Act (TEFRA).



- This property is valued by Helena staff utilizing the same valuation procedures as used for Class Nine property.

- The taxable percentage is determined by finding the effective taxable percentage for all other commercial property in the state.

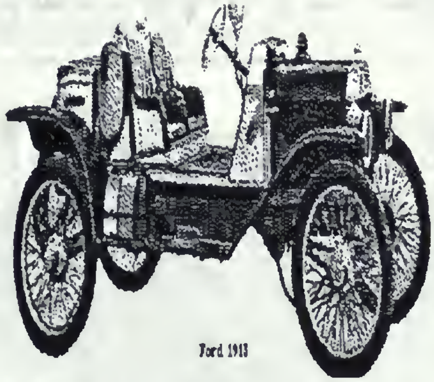
R = A/B where

A = total statewide taxable value of all commercial property, except class 12 property.

B = total statewide market value of all commercial property, except Class 12 property.

- The taxable percentage "R" for 1994 was 7.15%.

OTHER TYPES OF PROPERTY



- Automobiles and trucks having a capacity of 1 ton or less are not classified in the property classes. They are valued under 61-3-503. The market value is usually determined by using the average trade-in value as found in the NADA guides.

- The taxes are calculated by multiplying the market value times 2 percent. The county may also levy an additional .5 percent local option vehicle tax.

$9,600 = Market Value
NADA average trade in

$9,600 X 2% = $192
Market X percent = Tax

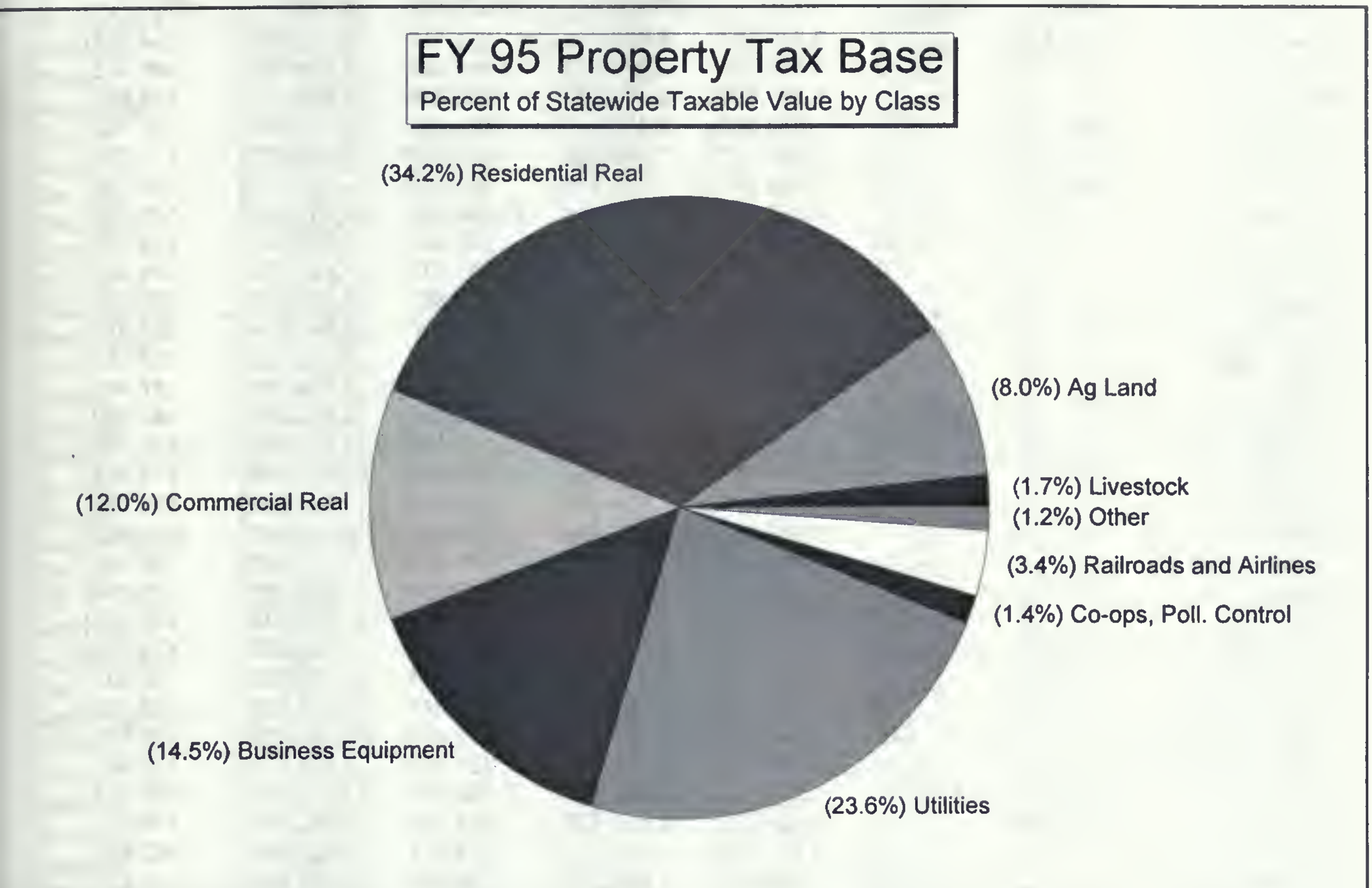
The following types of property are subject to a fee in lieu of property tax:

Campers
Motor homes
Boats
Airplanes (not in Class Nine)
Off road vehicles
Travel trailers

Taxable Value Comparison
Fiscal Year 1994 with Fiscal Year 1995

Class	Description	Taxable Value		Change in Taxable Value	
		FY 1994	FY 1995	Dollar	Percent
1	Net Proceeds	5,366,912	3,953,607	(1,413,305)	-26.3%
2	Gross Proceeds	10,559,998	9,668,914	(891,084)	-8.4%
3	Agricultural Land	141,808,953	143,242,021	1,433,068	1.0%
4	Class 4				
	Residential Real	581,644,484	610,558,642	28,914,158	5.0%
	Commercial Real	215,535,201	214,166,040	(1,369,161)	-0.6%
	Class 4 Subtotal	*797,179,685*	*824,724,682*	*27,544,997*	*3.5%*
5	Co-ops, Pollution Control, New Industry	26,951,498	25,755,360	(1,196,138)	-4.4%
6	Livestock	28,579,729	30,055,879	1,476,150	5.2%
7	Independent Telephone	990,534	869,825	(120,709)	-12.2%
8	Business Equipment	241,338,828	259,443,039	18,104,211	7.5%
9	Utilities	413,946,032	421,112,094	7,166,063	1.7%
10	Timber Land	6,410,390	7,277,628	867,238	13.5%
12	Railroads and Airlines	58,814,944	60,961,506	2,146,562	3.6%
	Total	1,731,947,504	1,787,064,555	55,117,052	3.2%

Compiled by the Office of Research and Information, Montana Department of Revenue.



FY 95 Statewide Taxable Values

Class Description	Taxable Value	Percent of Total	Class
Livestock	$30,055,879	1.68%	6
Ag Land	$143,242,021	8.02%	3
Residential Real	$610,558,642	34.17%	4
Commercial Real	$214,166,040	11.98%	4
Business Equipment	$259,443,039	14.52%	8
Utilities	$421,112,094	23.56%	9
Co-ops, Poll. Control	$25,755,360	1.44%	5
Railroads and Airlines	$60,961,506	3.41%	12
Other (Net and Gross Proceeds; Independent Telephone, Timber Land	$21,769,974	1.22%	1, 2, 7, 10
Total	**$1,787,064,555**		

County Taxable Value by Property Class Fiscal Year 1995

County	Class 1	Class 2	Class 3	Class 4 Residential	Class 4 Commercial	Class 4 *Subtotal*	Class 5
Beaverhead	20,771	0	2,549,102	5,668,612	1,551,419	*7,220,031*	264,212
Big Horn	0	0	3,483,720	3,273,113	3,996,639	*7,269,752*	406,472
Blaine	0	0	3,905,669	2,463,621	622,618	*3,086,239*	278,575
Broadwater	144,532	573	1,023,624	2,153,217	564,458	*2,717,675*	92,902
Carbon	79,500	0	2,094,751	7,952,550	1,469,928	*9,422,478*	131,124
Carter	1,805,701	0	1,894,945	719,019	62,359	*781,378*	80,156
Cascade	0	0	5,490,590	51,551,611	21,180,634	*72,732,245*	169,722
Chouteau	0	0	11,979,739	3,638,557	689,343	*4,327,900*	228,109
Custer	0	0	2,191,064	5,561,753	1,851,418	*7,413,171*	134,361
Daniels	0	0	2,386,124	1,293,788	253,859	*1,547,647*	130,015
Dawson	0	0	3,182,853	4,299,614	1,265,020	*5,564,634*	297,975
Deer Lodge	0	0	340,809	4,688,330	1,539,773	*6,228,103*	67,763
Fallon	0	0	1,359,916	1,482,498	455,667	*1,938,165*	87,495
Fergus	0	539,948	6,091,288	6,181,044	1,679,251	*7,860,295*	342,289
Flathead	0	0	1,558,570	74,879,232	22,232,037	*97,111,269*	1,725,708
Gallatin	98,176	0	2,777,561	51,248,464	15,593,302	*66,841,766*	279,043
Garfield	0	0	2,925,030	820,562	96,331	*916,893*	126,122
Glacier	0	0	3,067,881	3,462,159	1,720,467	*5,182,626*	637,683
Golden Valley	0	0	1,165,650	561,522	51,883	*613,405*	38,189
Granite	0	2,496	596,006	2,296,151	248,730	*2,544,881*	15,539
Hill	0	0	6,800,346	9,564,674	3,439,644	*13,004,318*	435,785
Jefferson	30,761	2,506,865	833,313	6,386,850	1,477,740	*7,864,590*	425,118
Judith Basin	0	0	3,115,290	1,475,662	217,104	*1,692,766*	69,657
Lake	0	0	1,249,559	28,052,164	3,283,641	*31,335,805*	152,132
Lewis And Clark	0	848	1,694,468	37,185,878	14,002,474	*51,188,352*	612,801
Liberty	0	0	3,610,033	1,719,326	331,782	*2,051,108*	112,965
Lincoln	0	473,877	216,142	12,059,793	3,194,993	*15,254,786*	660,074
Madison	1,764,285	0	2,156,075	8,615,172	1,741,287	*10,356,459*	158,311
Mccone	0	0	3,467,748	1,447,844	215,101	*1,662,945*	252,981
Meagher	0	2,161	1,409,466	1,485,315	239,290	*1,724,605*	10,517
Mineral	0	0	78,024	2,099,328	762,368	*2,861,696*	29,090
Missoula	250	0	461,558	63,195,775	33,100,673	*96,296,448*	1,051,851
Musselshell	0	0	1,697,750	2,044,827	425,334	*2,470,161*	120,799
Park	0	502,842	1,626,805	11,193,127	3,515,226	*14,708,353*	258,882
Petroleum	6,092	0	904,143	210,716	695	*211,411*	87,325
Phillips	0	1,253,027	3,688,238	2,582,225	780,887	*3,363,112*	233,702
Pondera	0	0	4,767,738	3,369,794	1,058,099	*4,427,893*	246,428
Powder River	0	0	1,847,883	1,084,317	194,369	*1,278,686*	227,953
Powell	0	0	1,117,671	3,622,264	722,103	*4,344,367*	136,006
Prairie	0	0	1,134,342	615,924	97,286	*713,210*	84,171
Ravalli	3,539	0	1,031,485	26,005,335	4,525,400	*30,530,735*	472,570
Richland	0	0	3,628,680	5,386,744	2,245,437	*7,632,181*	562,731
Roosevelt	0	0	3,733,888	3,014,562	1,037,564	*4,052,126*	195,355
Rosebud	0	0	2,980,003	3,290,269	2,321,215	*5,611,484*	10,473,771
Sanders	0	0	588,826	6,149,093	1,084,147	*7,233,240*	141,041
Sheridan	0	0	3,547,262	2,434,484	649,576	*3,084,060*	197,156
Silver Bow	0	2,890,018	325,818	20,052,191	9,929,746	*29,981,937*	64,203
Stillwater	0	1,496,259	2,383,952	5,835,145	1,027,393	*6,862,538*	257,125
Sweet Grass	0	0	1,316,645	2,381,316	532,379	*2,913,695*	178,532
Teton	0	0	5,029,905	3,614,962	846,442	*4,461,404*	367,942
Toole	0	0	4,994,721	2,981,773	1,071,575	*4,053,348*	288,618
Treasure	0	0	812,378	374,068	66,355	*440,423*	107,200
Valley	0	0	4,700,166	4,777,681	1,590,338	*6,368,019*	296,194
Wheatland	0	0	1,364,941	1,055,814	194,760	*1,250,574*	26,332
Wibaux	0	0	1,156,620	622,454	95,258	*717,712*	42,323
Yellowstone	0	0	3,705,247	90,376,359	41,023,223	*131,399,582*	1,184,265
Total	**3,953,607**	**9,668,914**	**143,242,021**	**610,558,642**	**214,166,040**	***824,724,682***	**25,755,360**

15-Dec-94 Prepared by the Office of Research and Information, Montana Department of Revenue

County Taxable Value by Property Class Fiscal Year 1995

County	Class 6	Class 7	Class 8	Class 9	Class 10	Class 12	Total
Beaverhead	1,581,470	115,637	2,940,890	1,723,693	28,954	667,180	17,111,940
Big Horn	1,161,333	664	10,111,031	4,041,528	27,098	1,087,769	27,589,367
Blaine	812,233	0	2,210,170	3,061,210	1,080	1,051,001	14,406,177
Broadwater	317,978	0	2,093,882	4,095,888	38,782	814,561	11,340,397
Carbon	591,881	104,432	2,025,134	4,483,830	4,812	558,753	19,496,695
Carter	778,555	0	949,393	701,108	7,611	0	6,998,847
Cascade	812,003	0	9,192,523	15,759,656	55,512	2,795,634	107,007,885
Chouteau	565,911	0	4,755,742	2,454,035	6,064	430,923	24,748,423
Custer	772,091	0	1,909,226	2,327,937	13,827	916,101	15,677,778
Daniels	191,822	0	1,433,415	205,436	0	243,376	6,137,835
Dawson	493,625	0	2,541,007	3,716,913	0	2,013,352	17,810,359
Deer Lodge	78,635	23,664	1,097,376	2,072,968	111,819	71,366	10,092,503
Fallon	474,552	0	2,925,426	3,184,535	217	411,831	10,382,137
Fergus	1,368,409	0	4,481,575	2,069,835	46,993	356,869	23,157,501
Flathead	298,401	0	13,736,621	11,089,388	1,351,316	2,692,686	129,563,959
Gallatin	746,076	0	10,588,576	10,915,703	296,043	2,421,860	94,964,804
Garfield	804,709	0	1,084,630	0	165	0	5,857,549
Glacier	264,420	9,305	2,685,520	6,870,228	3,736	1,296,612	20,018,011
Golden Valley	288,449	0	464,039	2,224,892	4,204	388,635	5,187,463
Granite	342,677	0	1,013,912	3,109,519	258,363	1,040,548	8,923,941
Hill	332,203	0	4,559,532	3,214,089	2,284	2,904,398	31,252,955
Jefferson	306,741	0	7,738,635	5,168,560	40,478	947,444	25,862,505
Judith Basin	700,091	0	1,270,969	1,503,145	5,959	871,295	9,229,172
Lake	596,413	4,170	3,488,690	4,078,667	232,292	808,604	41,946,332
Lewis And Clark	589,271	0	7,279,493	14,645,311	208,263	1,794,864	78,013,671
Liberty	175,574	0	1,961,733	1,152,717	0	500,332	9,564,462
Lincoln	110,403	0	5,107,676	1,941,977	1,222,694	2,383,220	27,370,849
Madison	1,012,812	0	3,505,208	3,866,644	108,750	754,602	23,683,146
Mccone	470,479	0	1,856,023	212,791	0	156,706	8,079,673
Meagher	595,739	0	874,310	3,871,821	156,362	0	8,644,981
Mineral	27,478	0	1,183,311	3,530,117	195,787	990,250	8,895,753
Missoula	284,479	0	22,757,842	16,154,799	1,044,018	3,090,460	141,141,705
Musselshell	441,918	0	1,121,574	1,261,610	49,210	0	7,163,022
Park	632,779	0	3,442,015	5,144,759	219,129	1,023,145	27,558,709
Petroleum	389,273	0	462,830	28,228	814	0	2,090,116
Phillips	947,467	288	4,682,219	5,312,386	42	987,451	20,467,932
Pondera	326,399	0	2,966,556	1,886,251	1,798	606,836	15,229,899
Powder River	887,100	0	1,764,435	393,863	9,518	0	6,409,438
Powell	498,858	0	1,222,264	4,370,623	410,504	1,035,294	13,135,587
Prairie	422,304	0	804,362	417,904	158	891,900	4,468,351
Ravalli	587,291	0	3,384,439	3,668,041	165,264	861,513	40,704,877
Richland	497,523	0	6,229,712	2,876,950	0	497,522	21,925,299
Roosevelt	283,908	0	3,421,668	12,643,354	0	2,013,332	26,343,631
Rosebud	886,330	0	13,428,763	147,141,486	16,553	1,278,007	181,816,397
Sanders	270,450	53,482	1,273,271	17,147,592	810,372	2,734,908	30,253,182
Sheridan	280,676	0	3,545,186	554,093	0	621,283	11,829,716
Silver Bow	92,541	23,341	8,295,877	11,698,866	23,117	773,948	54,169,666
Stillwater	582,709	252,013	3,771,750	5,675,244	25,443	732,239	22,039,272
Sweet Grass	607,397	0	983,628	1,787,220	31,489	726,958	8,545,564
Teton	614,439	0	2,767,339	1,275,481	18,597	753,484	15,288,591
Toole	237,202	18,122	3,788,979	3,239,133	0	1,450,461	18,070,584
Treasure	299,201	0	523,559	1,829,608	5,121	790,743	4,808,233
Valley	711,334	0	2,937,714	10,050,697	0	1,461,620	26,525,744
Wheatland	474,420	0	844,006	3,699,330	4,970	301,850	7,966,423
Wibaux	227,100	0	1,135,190	688,155	0	310,704	4,277,804
Yellowstone	910,347	264,707	46,822,193	34,872,280	12,046	6,647,076	225,817,743
Total	**30,055,879**	**869,825**	**259,443,039**	**421,112,094**	**7,277,628**	**60,961,506**	**1,787,064,555**

15-Dec-94 Prepared by the Office of Research and Information, Montana Department of Revenue

BUSINESS PROPERTY TAX INCENTIVES

Property tax incentives can generally be divided into two categories: property tax abatements and local option property tax exemptions. Property tax abatements result in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value. Local option property tax exemptions exclude part or all of the entire value of property from taxation. A third type of incentive available is the suspension and cancellation of delinquent property taxes to facilitate the purchase and continued operation of a business.

Property Tax Abatements

New Industry (State Determined)

New industrial property, including real and personal property, is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property) for the first three years of operation. (15-6-135(1)(e), MCA)

New or Expanding Industries (Local Option)

If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion. (Title 15, Chapter 24, Section 14)

Remodeling/Expansion of Existing Buildings (Local Option)

If approved by the local governing body, remodeling, reconstruction or expansion of existing buildings or structures may qualify for a reduced tax rate for five years following construction. (Title 15, Chapter 24, Section 15)

Expanding "Value-Added" Machinery and Equipment (State Determined, Local Option)

If approved by the local governing bodies, an existing value added industry that expands to include value-added equipment is entitled to receive a decrease in the tax rate for machinery and the value-added machinery and equipment.

Research and Development (State Determined)

Property devoted to research and development is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property). (15-6-135(1)(e), MCA)

Pollution Control Equipment (State Determined)

Air and water pollution control equipment is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property).
(15-6-135(1)(b) and 15-6-135(2)(a), MCA)

Gasohol Producing Equipment (State Determined)

Property used to produce gasohol is eligible for a reduced taxable valuation rate of 3% (normally 3.86% for real property and 9% for personal property) for the first three years of its operation. (15-6-135(1)(d), MCA)

Electrolytic Reduction Facilities (State Determined)

Machinery used in electrolytic reduction facilities is eligible for a taxable valuation rate of 3% (normally 9% for personal property). (15-6-135(1)(f), MCA)

Canola Seed Oil Processing Facilities (State Determined)

Machinery used in canola seed oil processing is eligible for a taxable valuation rate of 4% (normally 9% for personal property). (15-6-136(1)(c), MCA)

Local Option Property Tax Exemptions

Exemption for Business Incubators (Local Option)

If approved by the local governing body, a business incubator owned or leased and operated by a local economic development organization is eligible for an exemption from property taxes. (Title 15, Chapter 24, Section 18)

Industrial Parks (Local Option)

If approved by the local governing body, an industrial park owned and operated by a local economic development organization or port authority is eligible for an exemption from property taxes. (Title 15, Chapter 24, Section 19)

Suspension, Cancellation of Delinquent Taxes (Local Option)

If approved by the local governing body, delinquent property taxes on commercial property may be suspended to facilitate the purchase and continued operation of a business utilizing the commercial property. (Title 15, Chapter 24, Section 17)

BUSINESS PROPERTY TAX EXEMPTIONS

Type of Exemption	Test to Qualify
Government (Federal, State, County, City, School District, etc.)	Ownership
Religious	Ownership & Use
Agricultural & Horticultural	Exclusive Use
Educational	Exclusive Use
Nonprofit Health Care Facilities	Exclusive Use & Nonprofit & Health Care License
Cemeteries	Ownership, Use & Nonprofit
Institutions of Purely Public Charity	Ownership & Use
Public Museums	Nonprofit & Use
Art Galleries	Nonprofit & Use
Zoos	Nonprofit & Use
Observatories	Nonprofit & Use
Household Goods & Furniture	Ownership & Use
Truck Canopy Cover or Topper	Less Than 300 Lbs & No Accommodations Attached
Bicycle	Use & Ownership
Corporation Organized to Furnish Potable Water to its Members for Uses Other Than the Irrigation of Agricultural Land	Nonprofit & Ownership
Right of Entry	None
Corporations Providing Care for the Developmentally Disabled, Mentally Ill, or Vocationally Handicapped	Ownership, Use & Nonprofit

Type of Exemption	Test to Qualify
Corporations Operating Facilities for the Care of the Retired, Aged, or Chronically Ill	Ownership, Use & Nonprofit
Farm Buildings	Value Less Than $500
Agricultural Implements	Value Less Than $100
Facilities Used for Training & Practice for/or Competition in International Sports & Athletic Events	Nonprofit, Use & Ownership
Hand Held Tools	Use & Exempt First $15,000 Market Value
Harness, Saddlery, & Tack	None
Title Plant	Ownership
Nonfossil Energy Generation of Low Emission Wood or Biomass Combustion Devices	Recog. Form, Exempt for 10 Years Following Installation, $100,000 Exempt for Multifamily Residences
Veteran's Clubhouses	Nonprofit, Use & Ownership
Freeport Merchandise & Business Inventory	Use
State Water Conservation Projects	Ownership & Use
Irrigation & Drainage Facilities	Use
Nonprocessed Agricultural Products	Ownership & Use
Beet Implements	Use
Community Services Buildings	Nonprofit, Use, Ownership & Land Cannot Exceed 1 Acre
Down-hole Equipment in Oil & Gas Wells	None
Motion Picture & Television Commercial Property	Use & Can't be in the State for More Than 180 Days
Trailer & Semitrailers with Licensed Gross Weight of 26,000 Lbs or More	Design & Use

SPECIAL PROPERTY TAX APPLICATIONS FOR RESIDENTIAL PROPERTY

Type of Exemption	Test to Qualify
Disabled or Deceased Veterans' Residences (15-6-211, MCA)	Applies to Residence and Lot - Owned & Occupied by 100% Service Connected Disabled Veteran or Veteran's Spouse if Deceased - Subject to Income Limits
Class 4 Low Income Reduction (15-6-134(1)(C), MCA)	Applies to First $80,000 of Market Value, Land Can't Exceed 5 Acres, House Must be Occupied for 10 Months a Year as the Primary Residence, Subject to Income Limitations, and Amount of Reduction is Based on a Graduated Scale That is Based on Income Increments.
Elderly Home Owner Credit (Title 15, Chapter 30, Section 1)	A credit against Montana Income Tax liability is allowed for qualifying elderly homeowners and renters. The credit is provided to help offset property tax paid.

DECEASED/DISABLED VETERAN'S EXEMPTION
15-6-211, MCA

Residential property of certain disabled veterans, and the spouses of deceased veterans, is exempt from property taxation:

Deceased Veterans

A residence, including the lot on which it is built, that is owned by the spouse of a veteran is exempt from property taxation provied that the veteran was killed while on active duty, or died as the result of a service-connected disability.

Disabled Veterans

A residence, including the lot on which it is built, that is owned by a disabled veteran is exempt from property taxation provided that the veteran:

1) has been honorably discharged from active service in any branch of the armed forces;

2) is rated 100% disabled due to a service-connected disability by the U.S. department of veterans affairs; and

3) has an annual adjusted gross income, as reported on the latest federal income tax return, of less than $15,000 ($18,000 if married).

LOW INCOME PROPERTY TAX REDUCTION

FORM PPB-8
15-6-134 and 15-6-151, MCA

Montana property owners can have their property taxes reduced if they meet certain qualifications. The form to receive the credit is filed with the County Appraisal/Assessment Office in the county where the property is located.

OWNERSHIP: The home or mobile home must be owned or under contract for deed.

RESIDENCY: The owner must occupy the dwelling for at least 10 months as their primary residence.

INCOME: The owner's total income, including otherwise tax exempt income, must not exceed $13,512 for a single person or $16,214 for a married couple. Social Security income paid to a nursing home is not considered income.

EXAMPLES:

1. wages, fees, bonuses, capital gains, ordinary income, interest, and dividends;

2. total income from business, partnerships, rents, royalties;

3. payments and interest on federal, state, county, and municipal bonds;

4. alimony, public assistance, unemployment, and tax refunds; and

5. all pensions and annuities, including railroad retirement, PERS, veteran's disability and social security.

APPLICATIONS: The owner must apply for the reduction before March 1 of each year.

MAILING: The PPB-8 form must be mailed or delivered to the County Appraisal/Assessment Office at your Courthouse.

QUESTIONS: Telephone your County Appraisal/Assessment Office or the Property Assessment Division in Helena at 444-2500.

COMPUTATION: The reduction is determined using the property owner's total income including the spouses income. The tax rate applied to the market value of the property is reduced depending on the owner's income.

INCOME TABLE:

1994 TAXABLE VALUE RATE TABLE FOR LOW INCOME REDUCTION

Single Person			Married Couple			Percent Multiplier
$0	-	$1,351	$0	-	$1,621	0%
1,353	-	2,702	1,623	-	3,243	10%
2,704	-	4,053	3,244	-	4,864	20%
4,055	-	5,405	4,866	-	6,486	30%
5,406	-	6,756	6,487	-	8,107	40%
6,757	-	8,107	8,108	-	9,728	50%
8,108	-	9,458	9,730	-	11,350	60%
9,459	-	10,809	11,351	-	12,971	70%
10,811	-	12,160	12,972	-	14,592	80%
12,162	-	13,512	14,594	-	16,214	90%

EXAMPLE:

Market Value (appraised value) of the home = $50,000

Income for a married couple living in town = $6,580

DETERMINATION OF PROPERTY TAX WITHOUT REDUCTION

$50,000 (market value) x 3.86% = $1,930 (taxable)

$1,930 (taxable) x .250 (local mill levy) = $482 (property tax)

WITH REDUCTION

$50,000 (market value) x (3.86% X 40% = 1.544%) (see table) = $772 (taxable)

$772 (taxable) x .250 (local mill levy) = $193 (property tax)

LOW INCOME APPLICATIONS APPROVED 1993 - 9,565

County	Applications Approved
Beaverhead	123
Big Horn	58
Blaine	55
Broadwater	68
Carbon	159
Carter	26
Cascade	614
Chouteau	35
Custer	129
Daniels	23
Dawson	114
Deer Lodge	190
Fallon	30
Fergus	120
Flathead	813
Gallatin	238
Garfield	7
Glacier	82
Golden Valley	9
Granite	42
Hill	142
Jefferson	118
Judith Basin	12
Lake	291
Lewis & Clark	456
Liberty	14
Lincoln	332
Madison	75

County	Applications Approved
McCone	20
Meagher	40
Mineral	69
Missoula	950
Musselshell	82
Park	166
Petroleum	4
Phillips	109
Pondera	54
Powder River	11
Powell	100
Prairie	17
Ravalli	687
Richland	124
Roosevelt	51
Rosebud	39
Sanders	208
Sheridan	44
Silver Bow	853
Stillwater	74
Sweet Grass	82
Teton	58
Toole	51
Treasure	12
Valley	87
Wheatland	21
Wibaux	6
Yellowstone	1,172

ASSESSMENT NUMBER ______

NAME ______

DEPARTMENT OF REVENUE

MAILING ADDRESS ______

______ County Assessor's Office

CITY ______ STATE ______ ZIP CODE ______

APPLICATION FOR QUALIFICATION UNDER CLASS 4 CLASSIFICATION AS PROVIDED FOR BY SECTIONS 15-6-134 AND 15-6-151 MCA.

NOTICE

THIS FORM IS TO BE RETURNED TO YOUR LOCAL COUNTY APPRAISAL/ASSESSMENT OFFICE BEFORE MARCH 1ST OR NO REDUCTION WILL BE ALLOWED.

I affirm that (I) (We) own and occupy a home or mobile home with appurtenant land and that I am married______ head of household______ single______ , that I am a recipient of income (last year's) from all sources, including otherwise tax exempt income of all other types, of not more than \$13,512 per year if single or \$16,214 combined income per year if married or head of household and that (I) (We) actually occupy the home or mobile home for at least 10 months a year.

SIGNATURE ______ SOCIAL SECURITY NUMBER ______

NAME OF SPOUSE ______ SOCIAL SECURITY NUMBER ______

PHONE NUMBER ______ DATE ______

Please list below TOTAL INCOME FROM ALL SOURCES including otherwise tax exempt income of all types for the calendar year preceeding the year of application.

\$ ______ SOCIAL SECURITY
Gross from Federal Form 1099. Do not include Social Security paid directly to a nursing home.

\$ ______ RAILROAD PENSION

\$ ______ TEACHERS PENSION

\$ ______ EMPLOYMENT PENSION

\$ ______ VETERANS PENSION

\$ ______ ANY OTHER PENSION

\$ ______ WELFARE PAYMENTS

\$ ______ AID TO DEPENDENT CHILDREN

\$ ______ INTEREST FROM ALL SOURCES

\$ ______ ANY OTHER INCOME

\$ ______ EMPLOYMENT INCOME

\$ ______ NET BUSINESS INCOME BEFORE DEPRECIATION AND/OR DEPLETION
(Copy of IRS Schedule C, E or F must be attached)

\$ ______ NET RENTAL INCOME BEFORE DEPRECIATION AND/OR DEPLETION
(Copy of IRS Schedule E must be attached)

\$ ______ DISABILITY INCOME

\$ ______ UNEMPLOYMENT BENEFITS

\$ ______ MAINTENANCE (Alimony)

\$ ______ CHILD SUPPORT

\$ ______ TOTAL (Office use only)

FOR DEPARTMENT USE ONLY

This reduction applies to the first \$80,000 or less of the market value of any mobile home or improvement on real property and appurtenant land not exceeding 5 acres.

Legal Description ______

LAND: CODE ______ MARKET VALUE ______ TAXABLE % ______

IMP.: CODE ______ MARKET VALUE ______ TAXABLE % ______

(To be used for land and/or improvements exceeding the first \$80,000)

LAND: CODE ______ MARKET VALUE ______ TAXABLE % ______

IMP.: CODE ______ MARKET VALUE ______ TAXABLE % ______

Form PPB-8 (Original - Appraisal/Assessment Office; Canary - Taxpayer) Revised 1994

ELDERLY HOMEOWNER/RENTER CREDIT
(Circuit Breaker)
15-30-171 thru 15-30-179, MCA

How the Program Works

The circuit breaker provides tax relief to specific homeowners based on the relationship between the homeowner's property tax and income. (In the case of renters, the property tax equivalent is defined to be 15 of the gross rent paid during the tax year.)

Due to the inter-relationship between property tax and income levels, certain property owners (renters) will not be eligible to receive any benefit from this program. Generally, these are individuals whose property values or rents are low in relation to their income. To understand this fully, it is necessary to understand how the circuit breaker program works. This section discusses the credit as it applies to a homeowner, but the same principles also apply to renters.

The amount of credit allowed is equal to the amount of property tax paid less a deduction:

Credit = Property Tax Paid - Deduction

The amount of the deduction is equal to a specific percentage of "household income". These percentages are set in statute, and increase as household income increases in accordance with the following schedule:

Household Income	Amount of Deduction
$0 - 999	$0
1,000 - 1,999	$0
2,000 - 2,999	the product of .006 times the household income
3,000 - 3,999	the product of .016 times the household income
4,000 - 4,999	the product of .024 times the household income
5,000 - 5,999	the product of .028 times the household income
6,000 - 6,999	the product of .032 times the household income
7,000 - 7,999	the product of .035 times the household income
8,000 - 8,999	the product of .039 times the household income
9,000 - 9,999	the product of .042 times the household income
10,000 - 10,999	the product of .045 times the household income
11,000 - 11,999	the product of .048 times the household income
$12,000 & over	the product of .050 times the household income

"Household income", as used in this table is equal to "gross household income" less $4,000 or 50% of retirement benefits, whichever is greater. **Gross household income** is all income of all individuals in the household, and includes federal adjusted gross income plus all nontaxable income as defined in statute. **Also, in no case may the amount of the credit exceed $400.**

A specific example should help clarify how this program works. Assume the taxpayer lives in a house valued at $60,000 and faces the statewide average mill levy of 365 mills. The taxpayer has $15,500 of total income. Based on these assumptions, this individual is entitled to a credit equal to $293.34, calculated as follows:

Market value	$ 60,000
Taxable value rate	.0386
Taxable value	$ 2,316
Mill levy	.365
Property tax	**$ 845**
Gross income	$ 15,500
Exclusion	$ (4,000)
Household income	$ 11,500
Deduction factor	.048
Deduction	**$ 552**
Credit ($845 - $552)	**$ 293**

As discussed earlier, certain individuals will not be eligible for the credit depending on the relationship of their property tax to their income. In the above example, individuals with the same property tax but whose incomes exceed $20,900 would not be entitled to any credit, because the calculation of the deduction amount would exceed the property tax paid.

Current Use of Program

Data retrieval systems within the individual income tax division show the following information regarding use of this program for the past four years:

Year	Claimants	Total Credit	Average Credit
1990	16,490	$ 3,586,692	$ 217
1991	17,294	$ 4,091,665	$ 237
1992	18,234	$ 4,522,814	$ 248
1993	19,070	$ 5,065,468	$ 266

ELDERLY HOMEOWNER/RENTER CREDIT

FORM 2EC

Taxpayers can receive a maximum $400 refundable credit for paying property taxes or rent. The form to receive this credit can be filed with the income tax return or by itself if a tax return is not required to be filed.

AGE: The taxpayer or spouse must be age 62 or older as of December 31, 1994.

RESIDENCY:

1. Taxpayer must have resided in Montana for 9 months or more, and
2. Must have occupied a Montana residence as owner or renter for a total of 6 months during 1994.

FILING INFORMATION: Form 2EC can be filed (1) by itself, if the individual is not required to file a tax return or (2) with the Montana income tax return.

Only <u>one</u> claim per household may be filed.

DUE DATE: Form 2EC must be submitted on or before April 15, 1995.

If Form 2EC is filed late, a letter stating the reason for being late must be attached. If there is good reason for the late filing, the claim will be accepted. Claims filed more than 5 years late will not be accepted.

MAILING ADDRESS:

Income Tax Division
P.O. Box 5805
Helena, MT 59604

QUESTIONS: Telephone 444-2837.

COMPUTATION: The credit is computed using household income and general property taxes paid on residence and land or rent paid in 1994.

HOUSEHOLD: An association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations and expenses. It does not include bona fide lessees, tenants, or roomers and boarders on contract.

HOUSEHOLD INCOME: Includes **total** income, whether taxable or not, received by all individuals of a household while they are members of the household. Total income is reduced by the greater of $4000 or 50% of total retirement benefits to arrive at household income. Income (such as social security) paid directly to a nursing home by an agency is not considered income.

Losses cannot be included with income.

EXAMPLES:

1. wages, fees, bonuses, capital gains, ordinary income, interest, & dividends.

2. total income for business, partnerships, rents, royalties, etc.

3. payments and interest on federal, state, county & municipal bonds.

4. alimony, public assistance, unemployment, & tax refunds.

5. all pensions & annuities, including railroad retirement, PERS, veteran's disability & social security.

NET ALLOWABLE HOUSEHOLD INCOME: Computed by multiplying household income by a multiplier figure provided on Form 2EC.

If net allowable household income is less than allowable property tax and/or rent paid, the individual will receive a refund for the difference, not to exceed $400.

GENERAL PROPERTY TAXES: The general ad valorem taxes levied against the house and surrounding land, not in excess of one acre, exclusive of special assessments, penalties, or interest and paid during the claim period.

General property taxes differ from county to county.

SPECIAL ASSESSMENTS: Includes: transit fees, city assessment, sprinkling, sanitation, maintenance fees, garbage, landfill, storm sewer, paving, lighting, irrigation, water system, sweeping, T.V. district, predator or mosquito control, livestock, rural fire, and any special improvement district (SID) charges.

ALLOWABLE RENT PAID: Computed by multiplying rent paid on the residence by a 15% rent equivalent.

VERIFICATION REQUIRED BY THE DEPARTMENT OF REVENUE

HOMEOWNER: A copy of the "paid" property tax receipt, property tax certification form or a letter from the County Treasurer showing total general taxes paid in 1994 must be attached to Form 2EC.

RESIDENCE OVER 1 ACRE: Multiply taxable value of residence and land not exceeding 1 acre by the district mill levy.

RENTER: Residents of subsidized housing are allowed to claim the credit. Only the actual amount of rent paid can be claimed.

Copies of canceled checks or a rent receipt from the landlord must be attached to Form 2EC

HOMEOWNER & RENTER: Attach rent and property taxes paid if you (1) own your home and rent the land or (2) rent your home and own the land.

FOREST TAXATION IN MONTANA

What Changes Will Occur to Forest Land Appraisals in 1994?

The Montana Legislature passed the Forest Lands Tax Act in 1991. This law requires the Department of Revenue to implement a forest land valuation system based on productivity. The new system resulted in new values for forest land taxpayers in 1994.

Why Was This Bill Passed by the Legislature?

Montana was perhaps the last state to abolish a standing forest inventory tax. Our forest land property tax system was in need of a major overhaul. An administratively feasible, easy to understand, defensible system was needed. The new system selected was the forest land productivity system. The law that changed to the new productivity system was supported by the forest products industry, the Montana Tree Farmer's Association and other forestry landowners.

Were Other Forest Land Tax Options Examined?

Yes. In 1991, the Department of Revenue conducted an analysis of forest tax systems used in the northwestern United States. The Department concluded that for forest land valuation in Montana, the best system was the potential productivity system. In addition, a forest industry study reached the same conclusion.

What is the Basic Difference Between the Old Forest Land Tax System and the New Land Tax System?

The old forest land tax system assessed forest land on the basis of its standing timber plus a grazing land value. However, Montana's forest classification system had not been systematically updated in 30 years. Therefore, tax assessments often did not represent current forest inventories.

The new land tax system assesses forest land on the land's ability to produce timber. Existing forest inventories have no impact on the productivity value.

How Does the Productivity Classification System Work?

Potential forest growth is estimated for each acre of forested land, including "clearcuts". That growth is measured in cubic feet per acre per year. The average forest growth estimates are placed in one of four productivity classes: poor (class IV), fair (class III), good (class II), and excellent (class I). Forested land must be at least 15 acres or larger in size to be classified as commercial forest land. Forested land less than 15 acres in size is classified as non-forest.

Forested land which does not meet the minimum growth requirement for the poor productivity class is classified as non-commercial forest land. Non-commercial forest land is not valued as forest land for property tax purposes.

Non-forest and non-commercial forest land may be valued as tract land, agricultural land or non-qualifying agricultural land.

Does the Productivity Tax Encourage Timber Harvesting?

No. On any given commercial forest land site, a clear-cut would receive the same value as an old growth stand. Forest management practices will not influence the forest assessment. Knowledgeable forest landowners will realize that they can practice intensive forest management to optimize wood production and enhance other non-timber elements, without the penalty of higher forest land property taxes.

Isn't My Agricultural Land Valued on the Basis of Productivity?

Yes. Agricultural and forest lands are intertwined. Both types of land will now be valued under the same "productivity" concept.

Who Decided Upon the Valuation System That Places a Value on My Forest Land?

The legislature determines how forest land is to be valued. The legislature defined the productivity formula and each component of that formula. It also provided for specific forest valuation zones, with each zone designated to recognize the uniqueness of marketing areas, timber types, growth rates, access, operability, and other factors important to the valuation of the forest land in that geographic area.

Explain the Productivity Formula to Me.

The formula can be described as:

$$\textbf{Appraised Value} = \frac{\textbf{Net Forest Income + Net Grazing Income}}{\textbf{Capitalization Rate}}$$

Net Forest Income =	Gross Forest Income - Forest Costs
Net Grazing Income =	Gross Grazing Income - Grazing Costs
Capitalization rate =	This rate is used to convert an estimate of net income into an estimate of value.

Who Put Together the Information in This Formula?

Many people were instrumental in developing the valuation information. The Montana Department of Revenue hired a nationally recognized forest economist at the University of Montana, School of Forestry, to develop the forest land valuation zones and the average stumpage value. The average stumpage value represents the gross forest income for each zone. The Department of Revenue compiled the forest costs with the assistance of the Montana Department of State Lands. Those costs consist of the average expenses for fire assessment, brush control, timber stand improvement, timber sale, and administrative overhead for each forest valuation zone. The data on grazing income was taken from the governor's advisory committee on agricultural land valuation. The calculation of the capitalization rate was specified by the legislature, 15-44-103(6), MCA.

Representatives from the forest products industry and Montana Tree Farmer's Association reviewed the data and provided their input.

How Does the New System Work?

The state is divided into five forest land valuation zones. There are four potential forest land productivity classes in each zone. Each productivity class within each zone has a unique forest land value. As you might imagine, the poorest productivity classes are found in eastern Montana counties. The higher productivity classes are found in northwestern Montana. Only a few small areas fall in the highest productivity class. Again, those areas are located in western Montana.

Explain the Forest Land Tax Class Percentage to Me.

The legislature assigns all taxable property to individual tax classes. There are currently 11 property tax classes. Forest land is in Class 10. The legislature specifies the tax class percentages that are applied against the value of property, within each tax class, to calculate taxable value. In 1993, the forest land taxable value was 4 percent of appraised value.

The legislature decided that, on a statewide basis, the new forest land productivity system should be taxable value neutral. This means the tax class percentage for Class 10 - Forest Land Property must be adjusted to generate essentially the same taxable value on a statewide basis in 1994 that existed in 1993.

What is the New Tax Class Percentage?

The new tax class percentage is calculated by the Department of Revenue. The statewide average taxable value for forest land in 1993 was $1.79 per acre. The statewide average taxable value for forest land in 1994 must also average $1.79 per acre.

The tax class percentage in 1993 was 4 percent. Because the 1994 assessment values will be higher than the 1993 values, the new tax class percentage is 0.79 percent.

How do I Calculate the Tax on My Forest Land?

A parcel of land may have several classes of property. The most common property classes for rural land are forest land, agricultural land, non-qualifying agricultural land (new category for 1994), and one acre farmsteads.

Each property class has different appraised values and a different tax class percentage. The value for each type of property is multiplied by the tax class percentage for that property class. The result is the taxable value. The total taxable value is then multiplied by the mill levy to arrive at the property tax.

Example:

Assume that in 1993 you have an average 40 acre parcel of forest land. For 1993 the average forest land value was $44.66 per acre. The tax class percentage was 4 percent and the average statewide mill levy was 322.96 mills.

After implementing the new forest land productivity system for 1994, the average forest land value is $227.28 per acre. The tax class percentage is .79 percent. For this tax calculation example, we assume the mill levy for 1994 is unchanged from 1993. That means the mill levy is 322.96 mills.

1993 Forest Land Tax Calculation:

40 acres X $44.66/ac. = $1,786 (appraised value)
$1,786 X .04 (tax class %) = $71 (taxable value)
$71 X .32296 (mill levy) = $22.93 (tax)

1994 Forest Land Tax Calculation:

40 acres X $227.28/ac. = $9,091 (appraised value)
$9,091 X .0079 (tax class %) = $71 (taxable value)
$71 X .32296 (mill levy) = $22.93 (tax)

Note: The decimal point in a mill levy is always moved three places to the left.

What's the Bottom Line? Are My Taxes Going Up or Down?

The answer to that question is dependent on two factors:

1. Changes in taxable value, and
2. Changes in mill levies

The changes in appraised and taxable values will vary between individual properties. On average, there will be little change in taxable values.

Mill levies change each year. In recent years, there have been significant changes in mill levies. The following example demonstrates the affect of changing mill levies:

Example 1 -	
Taxable Value:	$ 1,000
Mill Levy:	X .32296*
Taxes:	$322.96

Example 2 -	
Taxable Value:	$ 1,000
Mill Levy:	X .40000*
Taxes:	$400.00

* This example reflects a mill levy that changed from 322.96 mills to 400.00 mills. Recall for tax calculation purposes the decimal must be moved 3 places to the left.

What is the Average Forest Land Tax in Montana?

The statewide average forest land tax in 1993 was estimated at $0.58 per acre. The average tax ranged from $1.29 per acre in Flathead County to $0.02 per acre in Stillwater County.

When Will I Know What My New Forest Land Values Are?

When there is a change in valuation or ownership, the Property Assessment Division mails property assessments to the owner of record as of January 1 of that year.

All forest land owners will receive a new assessment in 1994 showing the change in value that has resulted from implementation of the new forest land productivity system.

Where Can I Go to See How My Forest Land Values Were Determined?

The forest land valuation schedules and a state map depicting the forest land valuation zones may be obtained from your local county appraisal/assessment office. The maps depicting the productivity classifications can be viewed in the appraisal/assessment office of the county where the property is located.

AGRICULTURAL LAND TAXATION IN MONTANA
HISTORY

As of July 1, 1973, the Department of Revenue was delegated the responsibility for classifying all agricultural lands. Previously, that was the duty of the county commissioners under Chapter 191, Laws of 1957. As with the previous law, the values determined by the Department were to be based on the productive capacity of the land, i.e., the ability of the land to produce income from a cash crop (wheat, hay, forage for grazing, etc.).

Standardized agricultural land valuation schedules were developed in the early 1960's. The values were based on a capitalization of net operating income (gross income less operating expenses). Data sources for income, expense and production information included the USDA Crop and Livestock Reporting Service, Montana Department of Agriculture Statistics, the ASCS, SCS, BIA, BLM and other government agencies.

The Department updated and revised the agricultural land valuation schedules for the reappraisal cycle which concluded on December 31, 1985. Again, the primary source of the data was the various government agencies. A concerted effort was made to include individual operations and agriculturally related associations to help refine the figures.

After developing the new valuation schedules, public comment was solicited through the administrative rules process. The new schedules would have increased the valuation of some types of agricultural land. Agriculturalists expressed their lack of support of the new valuation schedules. As a result, former Governor Ted Schwinden suspended the rules hearing process. He directed the Department to assemble an advisory committee to review the data and procedures and make changes if necessary.

The advisory committee had difficulty arriving at a consensus on the agricultural land valuation schedules. The 1985 Legislature froze the agricultural land valuation schedules that were in effect, specified the approach for developing future agricultural land valuation schedules and required the formation of an agricultural advisory committee.

In September, 1990 the Department of Revenue Agricultural Advisory Committee was appointed. The committee reviewed, evaluated and recommended changes to the taxation of agricultural land. It presented its recommendations at public meetings held throughout the state. The recommendations of that committee were presented in legislation that was passed by the 1993 Legislature as Senate Bill 168. It required specific methodology, formula, and data sources in the calculation of the new agricultural land valuation schedules. While the appraised value of agricultural land increased significantly, the statewide impact of the new schedules was taxable value neutral. There were shifts in value, however, within the various classes of agricultural land (i.e. grazing, non-irrigated farm land, continuously cropped hay land, non-irrigated continuously cropped farm land, and tillable irrigated land). The tax rate for agricultural land was reduced from 30% to 3.86%. That's the same rate used for residential and commercial property.

To mitigate the impact on agricultural taxpayers, the bill provided a phase-in of the change in taxable values over a four-year period. That affected both increases and decreases in value.

Finally, Senate Bill 168 established another interim agricultural land advisory committee to review water costs and other issues applicable to the valuation and assessment of agricultural land. That committee was appointed in November, 1993. It was charged with making a recommendation by July 1, 1994.

Significant committee recommendations included:

- a base cost expense allowance of $ 5.50 per irrigated acre
- the establishment by the 1995 Legislature of another advisory committee to study the feasibility of using soil capability data for classification of agricultural land
- acceptance of a conversion table that ensures irrigated land is not valued below the value that the land would have if it were not irrigated

Those committee recommendations will be included in proposed legislation for consideration by the 1995 Legislature or in amendments to administrative rules.

VALUATION OF AGRICULTURAL LAND

Statutory formula for determining productive capacity value:

V = Value of the Land
I = Net Income Produced by the Land
R = The Rate Used to Capitalize the Income Produced by the Land

The formula reads and is calculated as:

$$V = \frac{I}{R}$$

<u>Example of Calculation:</u>

Income Per Acre = $50
Capitalization Rate = 6.4%
Value = $781.25 Per Acre
V = $50 ÷ 6.4% = $781.25/Acre

As the Capitalization Rate is decreased, the resulting Value increases.

SUMMARY

Approximately 51½ million privately owned acres are classified as agricultural land in Montana.

Agricultural land taxation consists of 2 parts:

1. Classification:
   The determination of the agricultural use and the productive capability of that use for each acre of taxable agricultural land.

2. Valuation:
   The determination of agricultural land valuation schedules. The application of those valuation schedules to each acre of taxable agricultural land.

The criteria for classifying property as agricultural are:

1. Parcels of land 160 acres or more under one ownership are taxed as agricultural land. These lands are taxed at 3.86% of their agricultural productive capacity value.

2. Parcels of land containing 20 acres or more but less than 160 acres under one ownership are taxed as agricultural land if the land is used primarily for raising and marketing agricultural products. The agricultural use test presumes that land is agricultural if $1500 in annual gross income is produced and marketed from the land by the owner, owner's immediate family, agent, employee or lessee. These parcels are taxed at 3.86% of their agricultural productive capacity value.

   Parcels of land containing 20 acres or more but less than 160 acres which do not qualify under these criteria are considered non-qualified agricultural land. These non-qualifying parcels are valued as average (Grade 3) grazing land. The taxable value is then computed by multiplying that value by seven times the tax rate for agricultural land. Since the current rate for agricultural land is 3.86%, the tax rate for this property is 27.02%.

3. Parcels of land less than 20 acres under one ownership are taxed as agricultural land if they produce and the owner markets $1,500 in annual gross income from the raising of livestock, poultry, field crops, fruit, and other animal vegetable matter for food or fiber.

4. Land is not valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes. The land may not be devoted to a residential, commercial or industrial purpose.

The formula for valuation of agricultural land is: $V = I/R$

Where:

- V - is the value of each type of agricultural land,
- I - is the net income of each type of agricultural land,
- R - is the capitalization rate. That rate converts the net income estimate into an estimate of productive value.

AGRICULTURAL CLASSIFICATION OF LAND

Grazing Land

Those lands, either native range or domestic range, which are used to support agricultural livestock. Grazing land is graded on the basis of the soils capacity to produce palatable forage for livestock without causing injurious effect to the vegetative cover of the land. Carrying capacity is measured in Animal Unit Months per acre (AUM/AC) or acres per Animal Unit Month (AC/AUM).

Grazing land which is irrigated a majority of the time and has a reliable source of water will be classified as irrigated land.

Dryland alfalfa or grazing land which is not irrigated or hayed a majority of the time is classified as grazing.

Tillable Irrigated Land

All hayland and cropland that is irrigated a majority of the time (2 out of 3 years, 3 out of 5 years, etc.). All agricultural land, including grazing land, in a specified irrigation district where the land is designated as irrigable, with shares of water appurtenant to such land, shall be classified as irrigated, regardless of whether the water is actually applied or not applied to the land.

Land that has water for irrigation most years shall be classified as irrigated if the water is used. Those lands with water available most years but the water is not used, will be classified according to current use.

Land that is irrigated only during high water may be classified according to use, but it should carry a higher grade to reflect the occasional extra water and increased production.

Irrigated schedules are based on tons of alfalfa per acre. Alfalfa is the predominant crop grown on irrigated fields. Adjustments can be made for other cash crops using a conversion guide.

There are three rotations, each indicative of the cash value achieved from the production of generally-accepted irrigated crops grown in a particular area. As shown below, these rotations are generally differentiated by the variety of crops which can be grown in a particular area (i.e., the options a grower has in rotating various crops on his/her irrigated cropland acreage). The number of frost-free days may influence the extent of options available. However, available cropping options ar not limited exclusively by frost-free days.

Minimum Rotation: 90 or less frost-free days. Production from this land would be limited to alfalfa hay and small grains. Growers would not have the option to profitably produce any other crops over a sustained period of years.

Medium Rotation: 91 to 110 frost-free days. Lands are placed in this rotation when the grower has the option of producing a greater variety of crops than listed in the minimum rotation. Growers should be able to produce alfalfa hay, alfalfa seed, small grains, edible beans, sunflowers, safflowers, and potatoes.

Maximum Rotation: 110 or more frost-free days. These lands are capable of producing any crop which can typically be grown in Montana. Examples are all crops grown in minimum and medium rotations and, also, corn for silage, corn for grain, and sugar beets.

Climatological data should be utilized to assist appraisers in placing irrigated land into the proper rotation.

Continuously Cropped Non-Irrigated Hayland

Lands on which the native vegetation, non-irrigated alfalfa or other domestic varieties are cut for hay yearly or a majority of the time over a period of years.

Hayland which is irrigated less than a majority of the time or that does not have a reliable source of water is classified as continuously cropped non-irrigated hayland. It should carry a higher grade to reflect the occasional irrigation.

Non-Irrigated Farmland: Summer Fallow and Continuously Cropped

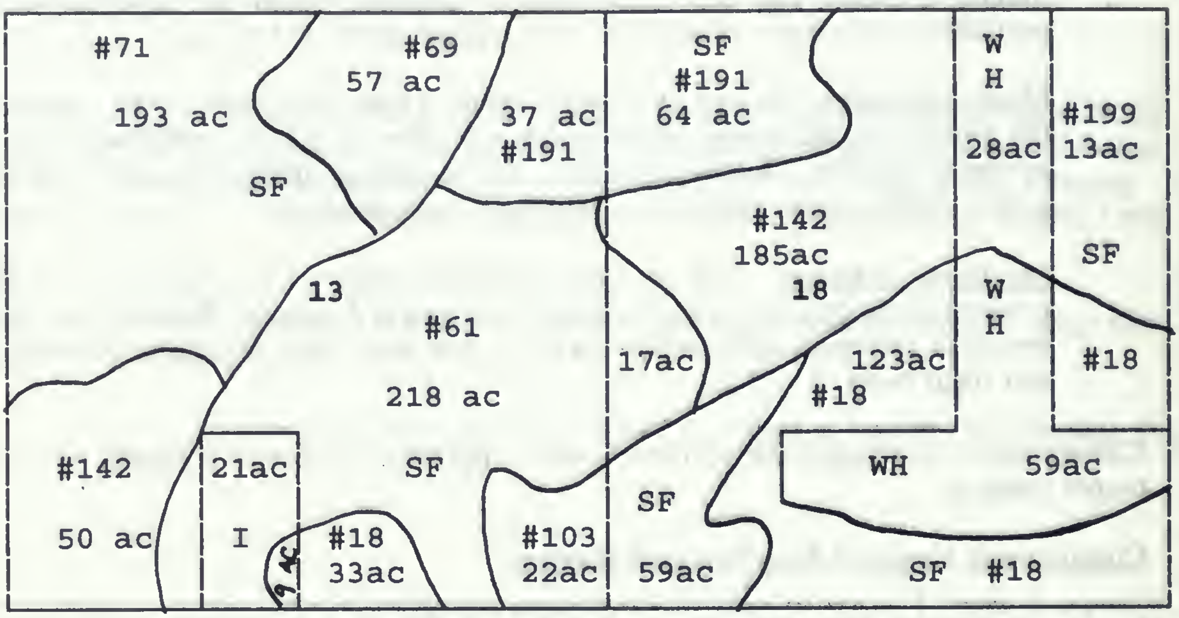
Typical dryland farming found in the majority of Montana. Strip farming or block farming are the most common forms of non-irrigated farmland.

Summer fallow: Typically, crops are produced every other year or every third year and the land is left idle in the off years.

Continuously cropped lands are found primarily in Northwestern Montana. Normally, crops are grown 3 out of 4 years and it must be an accepted practice for the area.

Grading is based on bushels of wheat per acre. Conversions are made for barley production.

EXAMPLE OF LAND CLASSIFICATION



Section 13: 640 Acres

Soil #	Grade	Yield	Acres	1995 Value/Ac.
71	F1A7	38-39	193	435.80
142	F1A1	26-27	50	245.66
69	F1A8	40 +	57	468.93
191	F1A	24-25	37	218.28
61	F3A	14-15	218	102.92
18	F1A	24-25	33	218.28
103	F1A	24-25	22	218.28
61	I4	2½- 3	21	227.72
18	I5	2 -2½	9	166.43

Section 18: 548 Acres

Soil #	Grade	Yield	Acres	1995 Value/Ac.
191	F1A	24-25	64	218.28
142	F1A1	26-27	185	245.66
199	F4B	8 - 9	13	50.98
61	F3A	14-15	17	102.92
103	F1A	24-25	59	218.28
- 18	F1A	24-25	123	218.28
18	WH6	.5-1	59	114.96
142	WH5	1 -1.4	28	205.44

CLASS 1: TILLABLE IRRIGATED LAND - MAXIMUM ROTATION
PHASED-IN ASSESSED VALUATIONS

Grade	Production (Ton/Acre)	(Labor & Energy) Water Cost	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1A	4.5+	$2.50	$830.30	$880.28	$930.27	$980.25
1A	4.5+	7.50	616.48	711.70	806.91	902.13
1A	4.5+	12.50	577.54	659.69	741.85	824.00
1A	4.5+	17.50	558.01	620.63	683.25	745.88
1A	4.5+	22.50	538.48	581.57	624.66	667.75
1A	4.5+	27.50	518.95	542.51	566.07	589.63
1A	4.5+	32.50	499.42	503.44	507.47	511.50
1B	4.0-4.4	$2.50	$719.95	$770.57	$821.19	$871.81
1B	4.0-4.4	7.50	533.71	620.37	707.03	793.69
1B	4.0-4.4	12.50	497.62	570.27	642.92	715.56
1B	4.0-4.4	17.50	478.09	531.21	584.32	637.44
1B	4.0-4.4	22.50	458.56	492.14	525.73	559.31
1B	4.0-4.4	27.50	439.03	453.08	467.13	481.19
1B	4.0-4.4	32.50	419.50	414.02	408.54	403.06
2	3.5-3.9	$2.50	$608.08	$659.85	$711.61	$763.38
2	3.5-3.9	7.50	450.06	528.45	606.85	685.25
2	3.5-3.9	12.50	416.65	480.14	543.63	607.13
2	3.5-3.9	17.50	397.12	441.08	485.04	529.00
2	3.5-3.9	22.50	377.59	402.02	426.45	450.88
2	3.5-3.9	27.50	358.06	362.96	367.85	372.75
2	3.5-3.9	32.50	338.53	323.89	309.26	294.63
3	3.0-3.4	$2.50	$501.41	$552.59	$603.76	$654.94
3	3.0-3.4	7.50	369.79	438.79	507.80	576.81
3	3.0-3.4	12.50	338.60	391.96	445.32	498.69
3	3.0-3.4	17.50	319.07	352.90	386.73	420.56
3	3.0-3.4	22.50	299.53	313.84	328.14	342.44
3	3.0-3.4	27.50	280.00	274.77	269.54	264.31
3	3.0-3.4	32.50	260.47	235.71	210.95	186.19
4	2.5-2.9	$2.50	$393.86	$444.74	$495.62	$546.50
4	2.5-2.9	7.50	288.93	348.75	408.56	468.38
4	2.5-2.9	12.50	261.24	304.24	347.25	390.25
4	2.5-2.9	17.50	241.71	265.18	288.65	312.13
4	2.5-2.9	22.50	222.18	226.12	230.06	234.00
4	2.5-2.9	27.50	202.65	187.06	171.47	155.88
4	2.5-2.9	32.50	183.12	147.99	112.87	77.75
5	2.0-2.4	$2.50	$278.73	$331.84	$384.95	$438.06
5	2.0-2.4	7.50	202.95	255.28	307.61	359.94
5	2.0-2.4	12.50	177.88	212.53	247.17	281.81
5	2.0-2.4	17.50	158.35	173.46	188.58	203.69
5	2.0-2.4	22.50	138.82	134.40	129.98	125.56
5	2.0-2.4	27.50	119.29	95.34	71.39	47.44
5	2.0-2.4	32.50	108.68	74.12	39.56	5.00
6	1.5-1.9	$2.50	$187.74	$235.03	$282.33	$329.63
6	1.5-1.9	7.50	133.23	172.65	212.08	251.50
6	1.5-1.9	12.50	110.20	131.26	152.32	173.38
6	1.5-1.9	17.50	90.67	92.20	93.72	95.25
6	1.5-1.9	22.50	71.14	53.14	35.13	17.13
6	1.5-1.9	27.50	68.11	47.07	26.04	5.00
6	1.5-1.9	32.50	68.11	47.07	26.04	5.00
7	1.0-1.4	$2.50	$115.57	$150.78	$185.98	$221.19
7	1.0-1.4	7.50	75.93	98.31	120.68	143.06
7	1.0-1.4	12.50	54.53	58.00	61.47	64.94
7	1.0-1.4	17.50	39.55	28.03	16.52	5.00
7	1.0-1.4	22.50	39.55	28.03	16.52	5.00
7	1.0-1.4	27.50	39.55	28.03	16.52	5.00
7	1.0-1.4	32.50	39.55	28.03	16.52	5.00
8	< 1.0	$2.50	$41.48	$50.78	$60.08	$69.37
8	< 1.0	7.50	19.09	14.39	9.70	5.00
8	< 1.0	12.50	19.09	14.39	9.70	5.00
8	< 1.0	17.50	19.09	14.39	9.70	5.00
8	< 1.0	22.50	19.09	14.39	9.70	5.00
8	< 1.0	27.50	19.09	14.39	9.70	5.00
8	< 1.0	32.50	19.09	14.39	9.70	5.00

CLASS 2: TILLABLE IRRIGATED LAND - MEDIUM ROTATION
PHASED-IN ASSESSED VALUATIONS

Grade	Production (Ton/Acre)	(Labor & Energy) Water Cost	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1A	4.5+	$2.50	$729.20	$780.21	$831.22	$882.23
1A	4.5+	7.50	517.40	615.57	713.74	811.91
1A	4.5+	12.50	480.35	567.43	654.52	741.60
1A	4.5+	17.50	462.77	532.28	601.78	671.29
1A	4.5+	22.50	445.19	497.12	549.05	600.98
1A	4.5+	27.50	427.61	461.96	496.31	530.66
1A	4.5+	32.50	410.04	426.81	443.58	460.35
1B	4.0-4.4	$2.50	$623.54	$677.24	$730.93	$784.63
1B	4.0-4.4	7.50	442.75	533.27	623.80	714.32
1B	4.0-4.4	12.50	408.85	487.24	565.62	644.01
1B	4.0-4.4	17.50	391.27	452.08	512.89	573.69
1B	4.0-4.4	22.50	373.70	416.92	460.15	503.38
1B	4.0-4.4	27.50	356.12	381.77	407.42	433.07
1B	4.0-4.4	32.50	338.54	346.61	354.68	362.76
2	3.5-3.9	$2.50	$523.54	$578.04	$632.54	$687.04
2	3.5-3.9	7.50	371.60	453.31	535.02	616.73
2	3.5-3.9	12.50	340.62	409.22	477.81	546.41
2	3.5-3.9	17.50	323.04	374.06	425.08	476.10
2	3.5-3.9	22.50	305.46	338.90	372.35	405.79
2	3.5-3.9	27.50	287.88	303.75	319.61	335.48
2	3.5-3.9	32.50	270.31	268.59	266.88	265.16
3	3.0-3.4	$2.50	$429.25	$482.65	$536.05	$589.44
3	3.0-3.4	7.50	304.01	375.72	447.42	519.13
3	3.0-3.4	12.50	275.65	333.37	391.10	448.82
3	3.0-3.4	17.50	258.07	298.22	338.36	378.51
3	3.0-3.4	22.50	240.49	263.06	285.63	308.19
3	3.0-3.4	27.50	222.92	227.90	232.89	237.88
3	3.0-3.4	32.50	205.34	192.75	180.16	167.57
4	2.5-2.9	$2.50	$340.56	$390.99	$441.42	$491.85
4	2.5-2.9	7.50	239.86	300.42	360.98	421.54
4	2.5-2.9	12.50	214.00	259.74	305.48	351.23
4	2.5-2.9	17.50	196.43	224.59	252.75	280.91
4	2.5-2.9	22.50	178.85	189.43	200.02	210.60
4	2.5-2.9	27.50	161.27	154.28	147.28	140.29
4	2.5-2.9	32.50	143.69	119.12	94.55	69.97
5	2.0-2.4	$2.50	$257.46	$303.06	$348.66	$394.26
5	2.0-2.4	7.50	179.20	227.45	275.70	323.94
5	2.0-2.4	12.50	155.56	188.25	220.94	253.63
5	2.0-2.4	17.50	137.99	153.10	168.21	183.32
5	2.0-2.4	22.50	120.41	117.94	115.47	113.01
5	2.0-2.4	27.50	102.83	82.78	62.74	42.69
5	2.0-2.4	32.50	93.41	63.94	34.47	5.00
6	1.5-1.9	$2.50	$179.50	$218.55	$257.61	$296.66
6	1.5-1.9	7.50	126.94	160.08	193.21	226.35
6	1.5-1.9	12.50	105.87	122.59	139.31	156.04
6	1.5-1.9	17.50	88.29	87.44	86.58	85.73
6	1.5-1.9	22.50	70.71	52.28	33.85	15.41
6	1.5-1.9	27.50	68.11	47.07	26.04	5.00
6	1.5-1.9	32.50	68.11	47.07	26.04	5.00
7	1.0-1.4	$2.50	$110.10	$139.75	$169.41	$199.07
7	1.0-1.4	7.50	72.41	91.19	109.97	128.76
7	1.0-1.4	12.50	52.91	54.75	56.60	58.44
7	1.0-1.4	17.50	39.55	28.03	16.52	5.00
7	1.0-1.4	22.50	39.55	28.03	16.52	5.00
7	1.0-1.4	27.50	39.55	28.03	16.52	5.00
7	1.0-1.4	32.50	39.55	28.03	16.52	5.00
8	< 1.0	$2.50	$39.74	$47.31	$54.87	$62.44
8	< 1.0	7.50	19.09	14.39	9.70	5.00
8	< 1.0	12.50	19.09	14.39	9.70	5.00
8	< 1.0	17.50	19.09	14.39	9.70	5.00
8	< 1.0	22.50	19.09	14.39	9.70	5.00
8	< 1.0	27.50	19.09	14.39	9.70	5.00
8	< 1.0	32.50	19.09	14.39	9.70	5.00

CLASS 3: TILLABLE IRRIGATED LAND - MINIMUM ROTATION
PHASED-IN ASSESSED VALUATIONS

Grade	Production (Ton/Acre)	(Labor & Energy) Water Cost	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1A	4.5+	$2.50	$640.57	$688.45	$736.32	$784.20
1A	4.5+	7.50	430.72	527.72	624.71	721.70
1A	4.5+	12.50	395.63	483.49	571.34	659.20
1A	4.5+	17.50	380.00	452.24	524.47	596.70
1A	4.5+	22.50	364.38	420.99	477.59	534.20
1A	4.5+	27.50	348.75	389.74	430.72	471.70
1A	4.5+	32.50	333.13	358.49	383.84	409.20
1B	4.0-4.4	$2.50	$554.88	$602.40	$649.93	$697.45
1B	4.0-4.4	7.50	372.95	460.29	547.62	634.95
1B	4.0-4.4	12.50	340.72	417.96	495.21	572.45
1B	4.0-4.4	17.50	325.09	386.71	448.33	509.95
1B	4.0-4.4	22.50	309.47	355.46	401.46	447.45
1B	4.0-4.4	27.50	293.84	324.21	354.58	384.95
1B	4.0-4.4	32.50	278.22	292.96	307.71	322.45
2	3.5-3.9	$2.50	$472.22	$518.38	$564.54	$610.70
2	3.5-3.9	7.50	316.99	394.06	471.13	548.20
2	3.5-3.9	12.50	287.38	353.48	419.59	485.70
2	3.5-3.9	17.50	271.75	322.23	372.72	423.20
2	3.5-3.9	22.50	256.13	290.98	325.84	360.70
2	3.5-3.9	27.50	240.50	259.73	278.97	298.20
2	3.5-3.9	32.50	224.88	228.48	232.09	235.70
3	3.0-3.4	$2.50	$392.71	$436.46	$480.20	$523.95
3	3.0-3.4	7.50	262.72	328.96	395.21	461.45
3	3.0-3.4	12.50	235.67	290.10	344.52	398.95
3	3.0-3.4	17.50	220.05	258.85	297.65	336.45
3	3.0-3.4	22.50	204.42	227.60	250.77	273.95
3	3.0-3.4	27.50	188.80	196.35	203.90	211.45
3	3.0-3.4	32.50	173.17	165.10	157.02	148.95
4	2.5-2.9	$2.50	$316.23	$356.55	$396.88	$437.20
4	2.5-2.9	7.50	210.26	265.07	319.89	374.70
4	2.5-2.9	12.50	185.48	227.72	269.96	312.20
4	2.5-2.9	17.50	169.85	196.47	223.08	249.70
4	2.5-2.9	22.50	154.23	165.22	176.21	187.20
4	2.5-2.9	27.50	138.60	133.97	129.33	124.70
4	2.5-2.9	32.50	122.98	102.72	82.46	62.20
5	2.0-2.4	$2.50	$242.78	$278.67	$314.56	$350.45
5	2.0-2.4	7.50	159.36	202.23	245.09	287.95
5	2.0-2.4	12.50	136.92	166.43	195.94	225.45
5	2.0-2.4	17.50	121.29	135.18	149.06	162.95
5	2.0-2.4	22.50	105.67	103.93	102.19	100.45
5	2.0-2.4	27.50	90.04	72.68	55.31	37.95
5	2.0-2.4	32.50	81.81	56.20	30.60	5.00
6	1.5-1.9	$2.50	$171.26	$202.07	$232.89	$263.70
6	1.5-1.9	7.50	120.66	147.50	174.35	201.20
6	1.5-1.9	12.50	101.53	113.92	126.31	138.70
6	1.5-1.9	17.50	85.91	82.67	79.44	76.20
6	1.5-1.9	22.50	70.28	51.42	32.56	13.70
6	1.5-1.9	27.50	68.11	47.07	26.04	5.00
6	1.5-1.9	32.50	68.11	47.07	26.04	5.00
7	1.0-1.4	$2.50	$104.51	$128.66	$152.80	$176.95
7	1.0-1.4	7.50	68.89	84.08	99.26	114.45
7	1.0-1.4	12.50	51.28	51.51	51.73	51.95
7	1.0-1.4	17.50	39.55	28.03	16.52	5.00
7	1.0-1.4	22.50	39.55	28.03	16.52	5.00
7	1.0-1.4	27.50	39.55	28.03	16.52	5.00
7	1.0-1.4	32.50	39.55	28.03	16.52	5.00
8	< 1.0	$2.50	$39.64	$44.93	$50.21	$55.50
8	< 1.0	7.50	19.09	14.39	9.70	5.00
8	< 1.0	12.50	19.09	14.39	9.70	5.00
8	< 1.0	17.50	19.09	14.39	9.70	5.00
8	< 1.0	22.50	19.09	14.39	9.70	5.00
8	< 1.0	27.50	19.09	14.39	9.70	5.00
8	< 1.0	32.50	19.09	14.39	9.70	5.00

CLASS 4: NON-IRRIGATED SUMMER FALLOW
PHASED-IN ASSESSED VALUATIONS

GRADE	PRODUCTION LEVEL (Bu/Ac)	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1A8	40+	$549.54	$468.93	$388.32	$307.71
1A7	38-39	507.45	435.80	364.16	292.51
1A6	36-37	465.35	402.67	339.99	277.31
1A5	34-35	423.26	369.54	315.83	262.12
1A4	32-33	381.16	336.41	291.67	246.92
1A3	30-31	341.22	304.73	268.23	231.73
1A2	28-29	303.56	274.55	245.54	216.53
1A1	26-27	267.82	245.66	223.50	201.34
1A	24-25	234.35	218.28	202.21	186.14
1B	22-23	203.04	192.34	181.65	170.95
2A	20-21	173.88	167.84	161.79	155.75
2B	18-19	146.88	144.77	142.67	140.56
2C	16-17	122.04	123.15	124.25	125.36
3A	14-15	99.30	102.92	106.55	110.17
3B	12-13	78.77	84.17	89.57	94.97
4A	10-11	60.40	66.86	73.32	79.78
4B	8-9	44.18	50.98	57.78	64.58
5	< 8	25.43	27.09	28.74	30.39

CLASS 5: GRAZING LAND
10 Month Grazing Season
PHASED-IN ASSESSED VALUATIONS

GRADE	PRODUCTION LEVEL (AC/AUM)	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1A2	< 3	$551.77	$546.36	$540.96	$535.55
1A1	3-5	324.47	305.57	286.67	267.77
1AP	5.1-5.9	230.96	218.89	206.81	194.74
1A	6-10	153.03	146.65	140.27	133.89
1B	11-18	79.85	77.85	75.86	73.87
2A	19-21	55.18	54.64	54.09	53.55
2B	22-27	42.52	42.92	43.32	43.72
3	28-37	29.92	30.94	31.95	32.96
4	38-55	20.45	21.31	22.17	23.03
5	56-99	12.02	12.62	13.22	13.82
6	> 100	6.92	7.47	8.02	8.57

CLASS 6: NON-IRRIGATED CONTINUOUSLY CROPPED HAY LAND
Wild Hay
PHASED-IN ASSESSED VALUATIONS

GRADE	PRODUCTION YEAR LEVEL (Ton/Acre)	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1	> 3.0	$556.70	$588.01	$619.32	$650.63
2	2.5-2.9	$455.50	498.86	542.21	585.56
3	2.0-2.4	$360.49	399.37	438.25	477.13
4	1.5-1.9	$263.72	298.71	333.70	368.69
5	1.0-1.4	$178.03	205.44	232.84	260.25
6	.5-.9	$96.53	114.96	133.38	151.81
7	< .5	$45.85	48.64	51.43	54.22

CLASS 7: NON-IRRIGATED CONTINUOUSLY CROPPED FARMLAND
PHASED-IN ASSESSED VALUATIONS

GRADE	PRODUCTION YEAR LEVEL (Bu/Ac)	Tax Year 1994	Tax Year 1995	Tax Year 1996	Tax Year 1997
1A4	> 44	$901.81	$826.61	$751.40	$676.19
1A3	42-43	843.10	777.33	711.57	645.80
1A2	40-41	784.38	728.05	671.73	615.41
1A1	38-39	725.66	678.78	631.90	585.02
1A	36-37	666.94	629.50	592.07	554.63
1	34-35	608.22	580.23	552.23	524.24
2	32-33	549.51	530.95	512.40	493.85
3	30-31	493.64	483.58	473.52	463.46
4	28-29	440.81	438.23	435.65	433.07
5	26-27	390.66	394.67	398.67	402.68
6	24-25	343.49	353.09	362.69	372.29
7	22-23	299.22	313.45	327.67	341.89
8	20-21	257.82	275.71	293.61	311.50
9	18-19	219.27	239.88	260.50	281.11
10	16-17	184.01	206.75	229.50	252.24
11	14-15	150.74	173.93	197.13	220.33
12	12-13	120.87	143.89	166.92	189.94
13	10-11	93.81	115.72	137.64	159.55
14	< 10	56.36	62.90	69.44	75.98

COMPUTER ASSISTED MASS APPRAISAL

What is CAMAS?

CAMAS stands for Computer Assisted Mass Appraisal System. The CAMA System is a set of computer programs and user procedures that help create and maintain a database of property information for each county in the state. The database holds the records of property characteristics that affect the tax evaluation of each parcel in the state.

How Does CAMAS Work?

The CAMA System is designed to build and maintain consistent and accurate computerized files of property data (land and improvements) for residential, agricultural, commercial, and industrial properties. It uses these files to produce computer assisted cost and market valuations of the residential and agricultural properties, and cost and income valuations of the commercial and industrial properties. The "key word" in CAMAS is "Assisted". CAMAS programs assist the appraiser in analyzing the data to arrive at the best indicator of value for the property. It maintains property administration data such as owner's name, address, and property valuation recaps in a separate subsystem from the property data.

Approaches to Value Using CAMAS

The CAMA System provides the department with the ability to utilize all three approaches to value, COST, MARKET and INCOME.

Cost Approach

The CAMAS cost program provides appraisers with the ability to estimate the depreciated cost of reproducing or replacing a building and its site improvements. This is accomplished by determining the replacement cost new of a structure and deducting any loss in value do to physical deterioration, and functional or economic obsolescence.

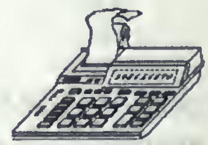
The significance of the Cost Approach lies in the extent of its application. It is the one approach that can be used on all types of construction on each type of property. It is a starting point for appraisers in determining the value of a property. Its widest application is in the appraisal of properties where the lack of adequate market and income data preclude a reasonable application of the other traditional approaches to value.

Market Approach

The CAMAS Market modeling program gives appraisers the ability to value property using the comparable sales approach to establish market value. When a sufficient number of sales area available, market models can be developed. The models are then applied, in conjunction with a comparable sales analysis, to provide an estimate of the market value of each property. In making this analysis, individual properties are valued using three to five comparable sales. The comparable sales are adjusted to the subject for differences such as square foot of living area, location, year built, date of sale, quality grade, etc. The adjustments for each comparable are then applied to their sale price. The result is an estimate of value for the subject property, based on the adjusted sales of the comparable properties.

Income Modeling

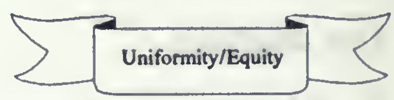
CAMAS income modeling gives the appraiser the ability to value income producing properties using the income approach to value. In applying the income approach to value, the appraiser must determine market rents, expenses and appropriate capitalization rates.



When income modeling the appraiser develops a basic set of income and expense models based on market data. Through use of a capitalization rate, income is capitalized into an estimate of value. The models created reflect current economic trends in specific valuation areas. The value indications produced by the income approach and the cost approach are compared. A final value for the property is then determined.

Objective of CAMAS

The primary objective of CAMAS is to assist the department in determining uniform, accurate, equitable and defensible valuations of all types of classes of real property statewide. In order to do so, the data base itself must be uniform and accurate. A sound data base will enable the department to produce accurate, detailed reports and statistical information pertaining to the valuation of over 697,000 residential, commercial, industrial, agricultural, and forest land properties statewide.



Success of CAMAS

The implementation of CAMA System has enabled the department to transfer necessary data such as owners names, addresses, legal descriptions, property class codes and values by electronic transfer to automated counties for tax assessment and billing systems resident on their county computer systems. This has enabled the department to reduce repetitious data entry that occurred prior to the implementation of CAMAS.

CAMAS has allowed the department to complete this reappraisal cycle with fewer employees than any previous cycle. In the last year of the department's 1978 reappraisal cycle, the Property Assessment Division employed 784 FTE. During the last year of the 1986 reappraisal cycle, the division employed 465 FTE. The division was authorized 418 FTE to complete the 1993 reappraisal cycle. The department has 353 authorized FTE to complete the current reappraisal which is scheduled to be completed by December 31, 1996.

<u>Benefits of CAMAS</u>

The CAMA System allows appraisal staff to maintain both multi-year and multi-cycle appraisal information. It maintains previous, current and future year information for the current appraisal cycle as well as future reappraisal information. It is these features that make CAMAS an intricate but complex system.

CAMAS allows the department to utilize all three approaches (cost, market and income) in the valuation of over 697,000 parcels of real property subject to ad valorem taxation statewide. This should help reduce the large number of appeals that have been inherent with the completion of previous reappraisal cycles.

CAMAS provides the State of Montana the opportunity to complete reappraisal cycles on a much more frequent basis than ever before. The legislature was confident enough in the department's new CAMA System to decrease appraisal cycles from 5 years to 3 years.

OTHER COMPUTER SYSTEMS

UAS System

The Property Assessment Division utilizes a Utility Assessment System (UAS) to apportion its valuations of inter-county companies (railroads, telecommunication companies, electric utilities, pipelines and airlines) to individual counties and taxing jurisdictions. This system was designed and developed by Department staff and resides on the Division's central office local area network.

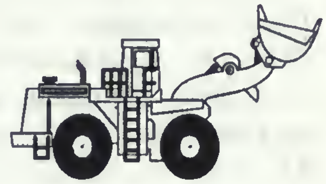
PAIMS

The Property Assessment Information Management System (PAIMS) is a wide area network that provides word processing support and statistical reporting capabilities to the Property Assessment Division's appraisal/assessment offices located in each of the state's 56 counties. This system provides users the ability to compile and analyze statistical reports and other appraisal and assessment information generated from CAMAS and BEVS using software packages such as WordPerfect, Lotus, Rapid File, etc.

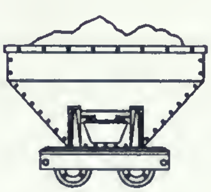
MODS

The Department of Revenue is currently developing a Master Ownership Database System (MODS). BEVS will become a subsystem of MODS and MODS will be linked to the Department's CAMA system. MODS contains owner(s) name, mailing address, legal descriptions, and market and taxable values, for over 758,000 parcels of real and personal property subject to ad valorem taxation. MODS will provide the Department the ability to maintain property ownership and address information in one database and provide necessary tax information to local governments through on-line data transfers or media tape format. This information will be maintained in MODS and updated in BEVS and CAMAS through on-line transactions.

MODS will provide a central database containing all real and personal property being valued and assessed for ad valorem taxation. Statistical information and reports pertaining to property taxes will be able to be produced faster and more accurately than ever before.



BUSINESS EQUIPMENT VALUATION SYSTEM



BUSINESS EQUIPMENT VALUATION SYSTEM

What is BEVS?

The Business Equipment Valuation System (BEVS) is a computer assisted valuation system used by the department in the valuation and assessment of personal property business equipment and livestock subject to ad valorem taxation. BEVS generates market values for over 88,000 parcels of property containing equipment and livestock. These valuations are based on characteristic data identified in the system such as quantity, make, model, year acquired, acquired cost, etc. The value of each piece of equipment and/or livestock identified for a specific business owner is recapped by class code to produce a valuation roll-up for that property.

Two years of personal property information (current/previous) are maintained on BEVS. The current year's information is stored in a "working file" where changes are made and reports generated. The previous year's information is used for viewing only.

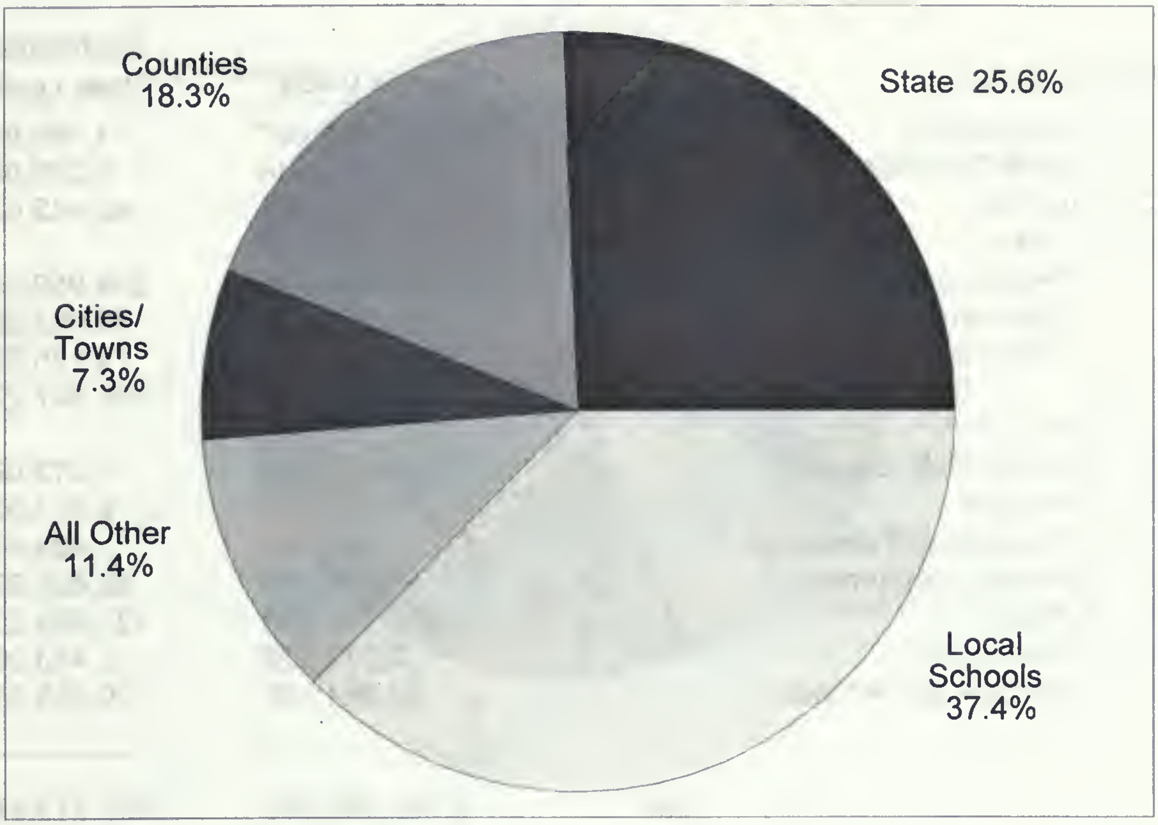
Benefits/Success of BEVS

BEVS provides the department the ability to generate itemized reporting forms. New property owners only need to review the previously reported personal property and update the information for the current year. This has resulted in a substantial savings in time to property owners.

BEVS provides the ability to list and value business equipment and livestock reported to the Department by property owners more accurately and uniformly than ever before. Its reporting functions enable staff to produce statistical reports by specific property types which can be used to identify discrepancies in valuations between similar businesses.

Automation of business equipment and livestock valuation has greatly enhanced efficiency and allows assessment staff the opportunity to concentrate their efforts on other responsibilities such as on-site field inspections of farms and businesses to ensure a greater degree of accuracy and equity in the valuation and assessment of these properties.

Fiscal Year 1995 Distribution of Property Taxes



Change in Taxes Levied

	Fiscal 1994	Fiscal 1995	% Change
State (101 Mills)	174,706,249	180,594,039	3.4%
Counties	121,029,931	128,712,816	6.3%
Cities/Towns	50,054,495	51,269,593	2.4%
All Others	73,746,636	80,074,914	8.6%
Local Schools	237,080,828	263,446,916	11.1%
TOTAL	656,618,139	704,098,278	7.2%

Compiled by the Office of Research and Information, Montana Department of Revenue

TAXABLE VALUE AND ESTIMATED TAXES LEVIED BY PROPERTY CLASS - FISCAL YEAR 1995

Class	Description	Taxable Value	Eastimated Taxes Levied
1	Net Proceeds	3,953,607	1,199,010
2	Gross Proceeds	9,668,914	3,269,003
3	Ag Land	143,242,021	46,442,021
4	Class 4		
	Residential	610,558,642	236,959,159
	Commercial	214,166,040	89,692,253
	SID's (Special Improvement Districts)		29,195,858
	Subtotal Class 4	824,724,682	355,847,270
5	Co-ops, Poll. Control	25,755,360	7,312,094
6	Livestock	30,055,879	9,614,554
7	Independent Telephone	869,825	469,669
8	Business Equipment	259,443,039	89,428,637
9	Utilities	421,112,094	121,001,201
10	Timber Land	7,277,628	2,450,008
12	Railroads and Airlines	60,961,506	20,686,212
	Total	1,787,064,555	657,719,679
	Taxes Paid to Miscellaneous Districts		50,879,056
	Grand Total of Property Taxes Paid For All Purposes		708,598,735

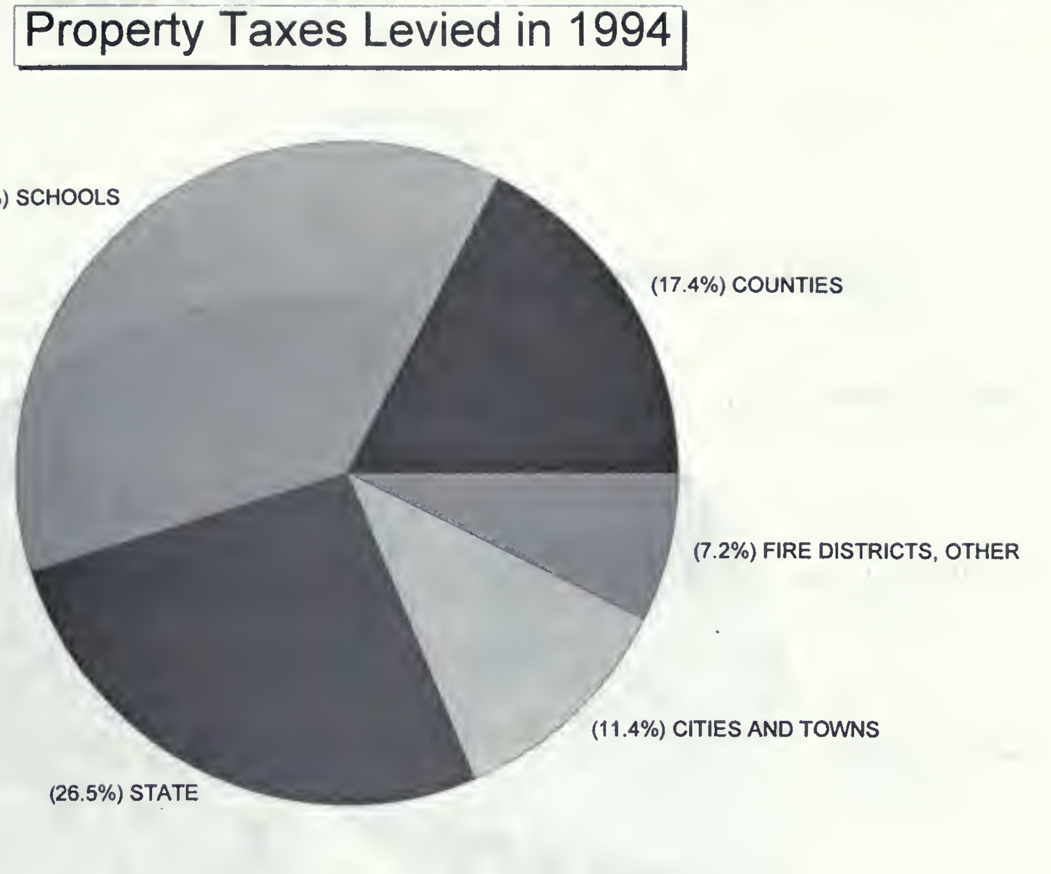
Percent of Total Property Taxes Paid by Class 4 Property

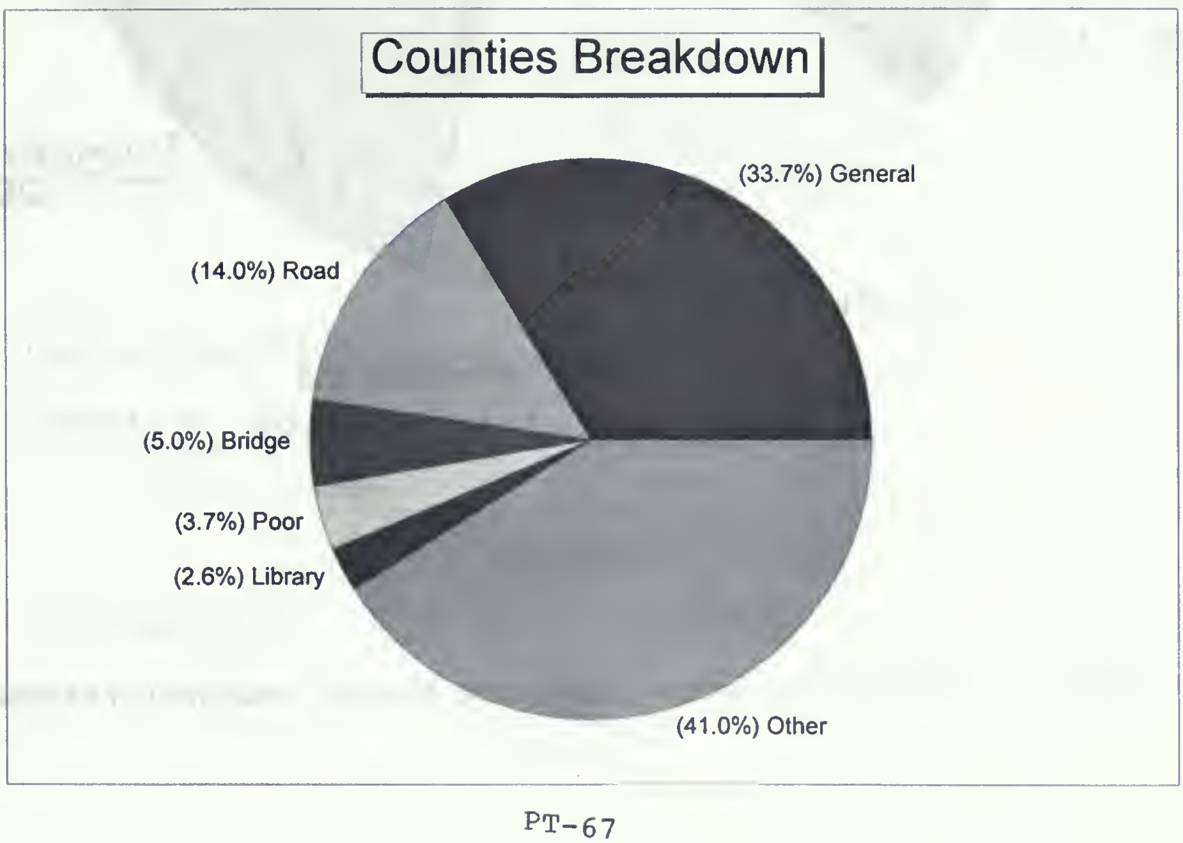
355,847,270 / 708,598,735 = 50%

Note: Since the taxes paid to miscellaneous districts cannot be allocated to the property classes, this calculation underestimates the percent of total taxes paid by class 4 property.

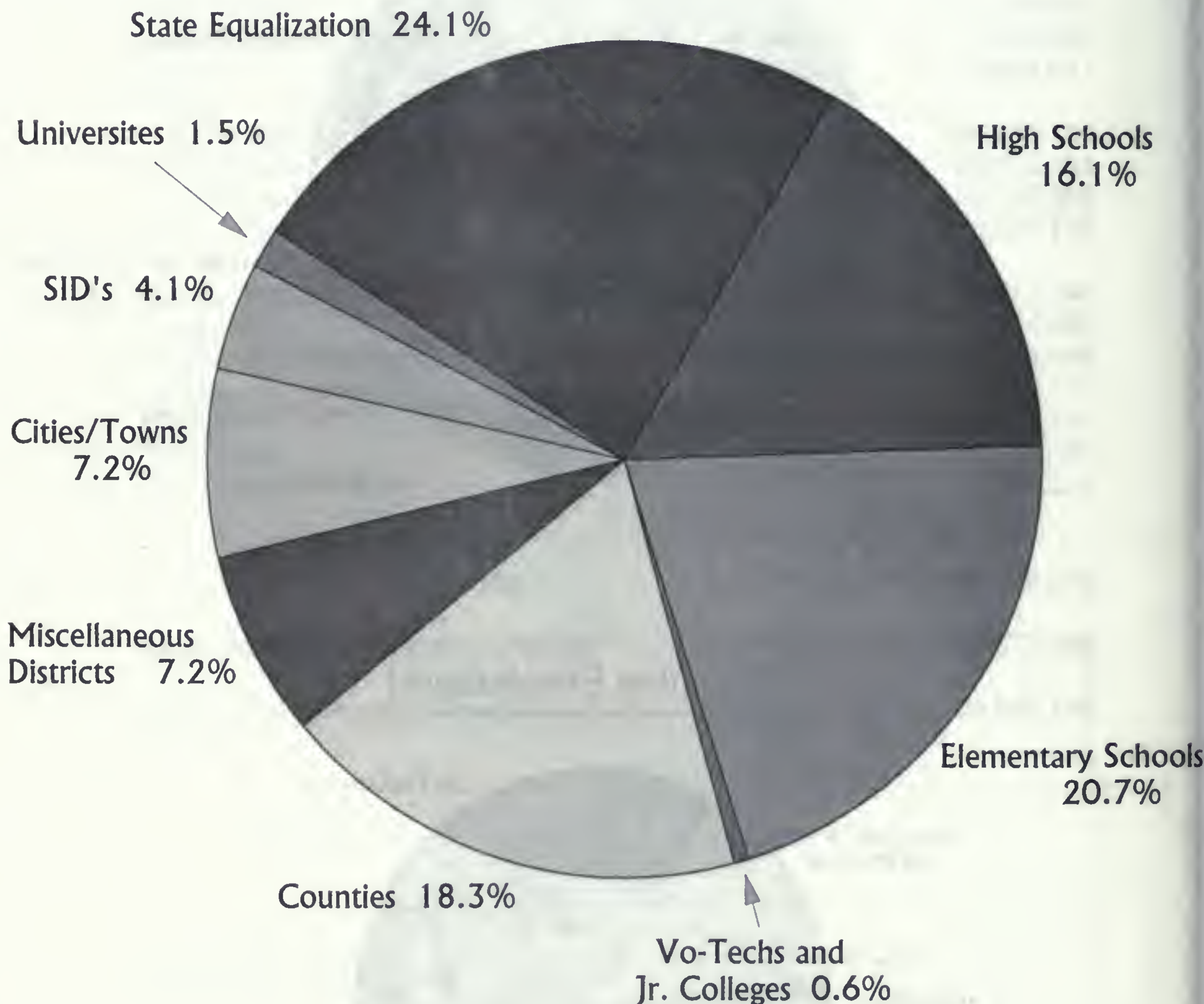
Compiled by the Office of Research and Information, Montana Department of Revenue.
Based on Fiscal Year 1995 Taxable Values and Fiscal Year 1995 Mill Levies.

15-Dec-94


Property Taxes Levied in 1994
(37.4%) SCHOOLS
(17.4%) COUNTIES
(7.2%) FIRE DISTRICTS, OTHER
(11.4%) CITIES AND TOWNS
(26.5%) STATE


Counties Breakdown
(33.7%) General
(14.0%) Road
(5.0%) Bridge
(3.7%) Poor
(2.6%) Library
(41.0%) Other

Property Taxes Levied in Fiscal Year 1995



Compiled by the Office of Research and Information, Montana Department of Revenue

TAXES LEVIED IN MONTANA 1993 - 1994

		1993		1994
Market Valuation	$	30,893,878,847	$	35,386,179,314
Taxable Valuation	$	1,731,947,504	$	1,787,064,555
State				
University	$	10,378,589	$	10,728,359
School Equalization		164,327,660		169,865,680
State Assumption of Welfare		5,978,922		6,053,556
Timberland Assessment		361,990		0
	$	**181,047,161**	$	**186,647,595**
County				
General	$	45,659,049	$	41,332,450
Road		15,546,248		17,174,756
Bridge		5,885,882		6,116,101
Poor		5,999,031		4,533,073
Bond Interest		242,328		456,755
County Fair		1,974,216		1,886,702
Library		2,891,994		3,164,019
Agricultural Extension		1,665,357		1,779,234
Planning		688,926		709,938
Health and Sanitation		1,876,425		1,815,858
Hospital		1,527,760		1,326,583
Airport		1,112,968		1,108,633
Other		29,980,825		41,255,158
	$	**115,051,009**	$	**122,659,260**
Local Schools				
Elementary	$	132,257,482	$	145,883,458
High School		100,790,171		113,513,633
Vo-tech and Jr. College		4,033,175		4,049,825
	$	**237,080,828**	$	**263,446,916**
Miscellaneous Districts				
Fire	$	11,821,152	$	12,343,819
Other		33,922,734		38,535,237
	$	**45,743,886**	$	**50,879,056**
Total Except Cities and Towns	$	**578,922,884**	$	**623,632,827**
Cities and Towns				
General	$	50,054,495	$	51,269,593
Special Improvements		28,002,750		29,195,858
	$	**78,057,245**	$	**80,465,451**
Grand Total All Taxes	$	**656,980,129**	$	**704,098,278**

TOTAL TAXES LEVIED - 1994

County	Cities and Towns Amount Levied	Special Improvement Districts Amount Levied	Levied for Cities, Towns and S.I.D's	Grand Total of All Taxes for All Purposes
Beaverhead	332,600	0	332,600	7,162,096
Big Horn	271,328	241,123	512,451	6,008,010
Blaine	304,842	453,888	758,730	5,250,474
Broadwater	118,012	5,892	123,904	4,061,187
Carbon	465,183	110,176	575,359	7,015,963
Carter	40,989	0	40,989	2,351,301
Cascade	6,195,326	3,871,228	10,066,554	48,153,870
Chouteau	249,845	185,538	435,383	9,476,476
Custer	927,781	719,954	1,647,735	8,032,571
Daniels	92,493	4,198	96,691	2,654,180
Dawson	799,444	478,452	1,277,896	8,942,941
Deer Lodge	53,023	496,077	549,099	5,374,192
Fallon	187,396	36,929	224,325	3,022,561
Fergus	778,604	243,861	1,022,465	9,279,135
Flathead	3,068,953	1,808,173	4,877,126	55,108,385
Gallatin	4,274,787	184,751	4,459,538	38,480,962
Garfield	17,743	128,449	146,192	1,881,452
Glacier	341,628	179,167	520,795	8,966,880
Golden Valley	16,359	0	16,359	1,568,111
Granite	132,812	20,110	152,922	3,287,510
Hill	1,140,186	1,007,770	2,147,956	13,256,013
Jefferson	148,890	0	148,890	8,420,913
Judith Basin	37,232	19,313	56,546	3,139,735
Lake	519,502	161,780	681,282	17,418,435
Lewis And Clark	3,601,730	3,183,500	6,785,230	37,565,982
Liberty	53,326	69,413	122,739	3,169,801
Lincoln	345,451	0	345,451	9,620,982
Madison	184,399	227,907	412,306	8,082,353
Mccone	96,803	20	96,823	2,838,364
Meagher	83,148	0	83,148	2,748,557
Mineral	91,872	0	91,872	3,787,952
Missoula	8,615,477	963,653	9,579,130	70,229,878
Musselshell	135,100	72,141	207,240	2,517,938
Park	1,035,786	57,650	1,093,436	10,682,991
Petroleum	11,627	0	11,627	632,883
Phillips	270,730	378,840	649,570	6,511,674
Pondera	281,313	208,196	489,510	6,234,483
Powder River	49,965	108,883	158,848	3,097,224
Powell	184,914	32,056	216,970	4,682,204
Prairie	58,150	18,607	76,757	1,957,113
Ravalli	699,574	76,388	775,962	14,701,286
Richland	548,156	408,836	956,992	8,548,505
Roosevelt	316,434	451,714	768,148	8,967,794
Rosebud	239,260	183,963	423,223	31,581,191
Sanders	279,589	1,563	281,152	9,959,427
Sheridan	282,291	197,132	479,423	4,434,661
Silver Bow	16,102	986,233	1,002,336	30,528,005
Stillwater	309,288	68,508	377,796	7,526,974
Sweet Grass	151,812	865	152,677	3,278,699
Teton	211,962	146,629	358,591	7,206,101
Toole	363,698	318,371	682,068	6,200,778
Treasure	23,491	0	23,491	1,609,197
Valley	557,763	6,216	563,979	10,419,141
Wheatland	86,546	1,150	87,696	2,615,085
Wibaux	50,156	14,752	64,908	1,502,706
Yellowstone	11,518,723	10,655,844	22,174,567	102,344,995
	$51,269,593	**$29,195,858**	**$80,465,452**	**$704,098,278**

Residential Property Tax Rates
Largest City in Each State
Northwest Region, 1993

Rank	City	State	Assessment Level	Effective Rate Per $100 of Market Value
1	Sioux Falls	South Dakota	87.2%	$2.57
2	Portland	Oregon	100.0%	2.07
3	Fargo	North Dakota	4.3%	1.96
4	Boise	Idaho	94.7%	1.94
5	Billings	Montana	3.9%	1.46
6	Salt Lake City	Utah	95.0%	1.43
7	Seattle	Washington	92.2%	1.01
8	Cheyenne	Wyoming	9.5%	0.76
	Unweighted Average		60.9%	$1.65

Source: Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison

GLOSSARY OF TERMS

ACCELERATED FILERS: This is a withholding tax term. Employers who's total income tax liability for withholding equals or exceeds $300,000 in the preceding calendar year must remit the amounts withheld for income tax and the old fund liability tax on the same day the employer remits to the federal government.

AGRICULTURAL LAND: Land in excess of 160 acres or land greater that 20 acres or less than 160 acres producing at least $1,500 in annual agricultural income.

APPORTIONMENT: A method of determining Montana net income for a multistate taxpayer using a 3 factor formula consisting of property, payroll and sales. This method would be used if the taxpayer was conducting a unitary business both within and without the state.

APPRAISED/ASSESSED VALUE: A value determined by the Dept. of Revenue for use in computing local government taxes. Under § 15-8-111, MCA, (except for a few noted exceptions) all taxable property must be assessed at 100% of its market value.

C-CORPORATION: A corporation that has elected to be taxed at the corporate level on net income earned. This type of corporation is also commonly referred to as a regular corporation.

CENTRALLY ASSESSED: Basically public utilities, railroads, and airlines.

COMBINATION: This is an extension of the apportionment method for determining Montana net income. Rather than using the 3 factor apportionment formula to compute Montana net income for a single corporation, it is applied to a group of unitary corporations. Combinations can be prepared on a worldwide basis, U.S. basis or on a lines of business basis depending upon what levels of unity exist within a group of corporations.

COMMERCIAL - REAL: Land and improvements owned by a business and/or used in certain income producing activities.

CONTRACT SALES PRICE: As defined by Montana law as it relates to the coal production taxes is the price of coal loaded for shipment at the coal mine less production taxes and governmental royalties in excess of $.15 per ton. Contract sales price is the value upon which the coal severance, gross proceeds and resource indemnity trust taxes are computed.

CREDIT: An amount that directly reduces a taxpayer's tax liability.

DEDUCTION: An amount that reduces a taxpayer's taxable income (e.g. tax exempt income or allowable expenses).

EFFECTIVE RATES: The actual tax rate derived by dividing a taxpayer's tax liability by gross income.

EXEMPTION: An exemption reduces an individual's tax liability. A taxpayer is allowed an exemption for themselves and their spouse and may qualify for an additional exemption for each dependent. Additional exemptions are allowed if the taxpayer or spouse is 65 or over or is blind or have handicapped children.

FAGI: This is the abbreviation for Federal Adjusted Gross Income. This is an individual's federal income before reductions for exemptions and either itemized deductions or the standard deduction.

FLAT TAX: In contrast to the local mill levy method of taxation, which allows effective tax rates to vary across taxing jurisdictions, the flat tax is applied at a single, uniform rate of taxation to all production and taxpayers, across all taxing jurisdictions. Commonly used in conjunction with the Local Government Severance Tax, different flat tax rates may apply to different types of production (e.g., oil, natural gas, and coal.).

LIMITED LIABILITY COMPANY: A new type of entity recognized in approximately 16 states, including Montana, which is a hybrid between a corporation and a partnership. This new type of entity would allow for the more attractive features of both a corporation and a partnership. The entity would provide limited liability to the shareholders in the same manner as a corporation and yet would allow for a participation in management and a flow through of taxes similar to a partnership.

MAGI: This is the abbreviation for Montana Adjusted Gross Income. This is an individual's Montana income before reductions for exemptions and either itemized deductions or the standard deduction. MAGI is derived at by starting with FAGI and adding and subtracting specific income as required by Montana law.

MARKET MODELING: Market modeling is the process of comparing the sales price of a property to similar properties to determine the value of the similar properties. It is based on the fact that a taxpayer would pay no more for a property than the cost of acquiring an existing, comparable property.

MARKET VALUE: The value at which property would change hands between a willing buyer and a willing seller.

MILL: A tenth of a cent. Mills are applied to taxable value to determine taxes owed. One mill applied to $1,000 of taxable value produces $1 in tax.

NEW PRODUCTION: As used by the Department of Revenue means wells that were drilled and began producing oil and/or gas after July 1, 1985 (i.e. post 1985 production).

NEW OIL AND GAS NET PROCEEDS TAX: Is the tax paid quarterly to the county for "new production." The rate of tax is 7% for oil and 12% for gas.

NON-WORKING INTEREST: As defined in Montana law is any interest owner who does not share in the development and operation costs of a property. These are typically royalty owners.

OIL AND GAS NET PROCEEDS TAX: Is the tax that applied to "old production" prior to being replaced by the Local Government Severance Tax (June 1989, Special Legislative Session). This tax was paid directly to the county and the amount of tax was based on the mill levy for the school district in which the production occurred.

OLD PRODUCTION: As used by the Department of Revenue means wells that were drilled and began producing oil and/or gas prior to July 1, 1985 (i.e. pre 1985 production).

PERSONAL PROPERTY: All property not considered real estate or improvements.

PROGRESSIVE TAX TABLES: Tax tables that allow the rate of tax to increase with income. Montana has progressive income tax rates that tax the first $1,800 of income at 2%, the next $1,800 at 3%, the next $3,600 at 4%, etc., up to a maximum of 11%.

RESIDENTIAL - REAL: Land and improvements other than commercial, industrial, or utility land and improvements. This primarily includes property used as residences.

S-CORPORATION: A corporation that has elected to be taxed at the shareholder level on net income earned by the corporation. This type of corporation is also referred to as a small business corporation.

SEPARATE ACCOUNTING: A method of accounting that determines Montana net income by separately accounting for income and expenses within the state. This method cannot be used if the taxpayer is conducting a unitary business.

STRIPPER WELL - GAS: Describes a well that produces an average of 60,000 cubic feet of gas or less per day. This definition was adopted from the Natural Gas Policy Act.

STRIPPER WELL - OIL: Describes a well that produces an average of 10 barrels of oil or less per day. This definition was adopted from the Windfall Profits Tax Act.

SURTAX: An amount added to the taxpayer's tax liability. It is a percentage of the tax liability as computed and before any credits against the tax.

TAXABLE VALUE: Determined by multiplying the market value times the statutory taxable value rate for that type of property.

TIMBERLANDS: Land exceeding 15 acres capable of producing timber in commercial quantities.

UNITARY BUSINESS: A term used to describe the nature of a taxpayer's multistate business which states that the operations within Montana are so integral with the taxpayer's operations outside the state that the only way to properly compute Montana net income is through the use of apportionment.

WATERS-EDGE ELECTION: If a taxpayer operates on a worldwide basis, they may file an election with the Department which would allow them to file on a combined basis including only those companies operating in the U.S.

WORKING INTEREST: The name given to the party or parties who have leased the rights to explore for and produce oil. These owners bear the exploration, development, and operating costs of an oil or gas property.

300 copies of this public document were published at an estimated cost of $7.00 per copy, for a total cost of $2,100.00, which includes $2,100.00 for printing and $.00 for distribution.